

Inani Marbles & Industries Limited

April 03, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	14.00	CARE BB; Stable (Double B; Outlook:Stable)	Revised from CARE BB+; Stable (Double B Plus; Outlook:Stable)
Short-term Bank Facilities	3.35	CARE A4 (A Four)	Revised from CARE A4+ (A Four Plus)
Long-term/Short-term Bank Facilities	0.65	CARE BB; Stable/ CARE A4 (Double B; Outlook:Stable/ A Four)	Revised from CARE BB+; Stable/CARE A4+ (Double B Plus; Outlook:Stable/ A Four Plus)
Total	18.00 (Rupees Eighteen crore only)		

Details of instruments/facilities in Annexure-I
Detailed Rationale & Key Rating Drivers

The revision in the ratings take into account continuous decline in Total Operating Income (TOI) of Inani Marbles & Industries Limited (IMIL) during last two financial years ended FY17 (FY refers to the period from April 1 to March 31) coupled with deterioration of its liquidity position.

The ratings, further, continue to remain constrained on account of vulnerability of margins to fluctuation in the raw marble prices and foreign exchange rate coupled with exposure to cyclical real estate sector.

The ratings, however, continue to derive strength from wide experience of the promoters in the marble & granite industry, established track record of operations and financial risk profile marked by healthy profitability and comfortable solvency position.

Increase in the scale of operations while maintaining healthy profitability and efficient working capital management would be the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weaknesses
Decline in TOI although remain stagnant in 9MFY18

TOI of the company has declined by 12.61% over FY16 mainly on account of slowdown in real estate sector as well as lower demand from domestic market. During FY17, sale of marble blocks, marble slab, sand stone sale and other marbles like red oscher, limestones etc. have declined over FY16 which offsets to an extent with increase in sale of granite slabs. Further, export sales of the company have improved significantly by 21.47% over FY16.

However, as per provisional result of 9MFY18, TOI of the company remains stagnant and stood at Rs.31.98 crore as against Rs.33.13 crore in 9MFY17

Deterioration of liquidity position

The operations of the company remained working capital intensive as reflected by elongated operating cycle due to higher inventory holding and collection period. The operating cycle of the

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

company has deteriorated from 243 days in FY16 to 285 days in FY17 mainly on account of higher inventory levels of raw material, finished goods and collection period as on balance sheet date. The current ratio of the company stood at 1.46 times as on March 31, 2017 although improved marginally from 1.40 times as on March 31, 2016. However, due to higher investment in the inventory, the quick ratio remained at below unity. The average utilisation of working capital limits remained full during last 12 months ended February, 2018.

Risk associated with availability of raw material and exposure to cyclical real estate market

The quality of raw material (i.e. Granite block, Sandstone, Lime stone, Marble etc.) is highly differential in nature. The availability of the right quality and quantity of the raw material depends upon the mining operations as marbles and stones are natural products with limited reserves. The marble industry is primarily dependent upon demand from real estate and construction sector across the globe. The real estate industry is cyclical in nature and is exposed to various external factors like the disposable income, interest rate scenario, etc. Any adverse movement in the macro-economic factors may affect the real estate industry and in turn business of IMIL.

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Key Rating Strengths

Decline in profitability margins; although remained comfortable

The profitability margin of the company remained comfortable with PBILDT and PAT margin at 16.83% and 3.66% respectively in FY17. With decrease in TOI and PAT level, gross cash accruals of the company has declined by 19.97% over FY16. The profitability margins of the company are highly dependent upon raw material prices which vary according to the quality and quantity of marbles and stones. IMIL procures raw material based on the requirement of the order from various places, viz. local suppliers in Rajasthan and South India or from own mines or through imports.

Comfortable solvency position

The capital structure of IMIL remained comfortable with an overall gearing of 0.47 times as on March 31, 2017, improved from 0.51 times as on March 31, 2016 mainly due to repayment of inter- corporate deposits and accretion of profits to reserves. Further, debt service coverage indicators remained comfortable marked by total debt to GCA at 4.39 times as on March 31, 2017, however, deteriorated from 3.72 times as on March 31, 2016 mainly due to decrease in cash accruals. Further, interest coverage ratio stood at 3.04 times in FY17.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

Background of the Company

Chittorgarh, Rajasthan, based Inani Marbles and Industries Limited (IMIL) was incorporated in October 1994, promoted by Capt. Suresh Kumar Inani. IMIL is engaged in the business of mining and processing of marbles, granites and stones along with manufacturing of marble handicrafts. The company owns four mines located in Rajasthan and sells its products both in domestic and export

markets. IMIL exports to China, USA, Europe, African countries, Turkey and Middle East country. IMIL has two processing plants (including one EOU) located in Chittorgarh district of Rajasthan having total processing capacity of 3.37 lakh Square Meters Per Annum (SMPA).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	51.71	45.18
PBILD	9.61	7.60
PAT	2.55	1.65
Overall gearing (times)	0.51	0.47
Interest coverage (times)	2.33	1.94

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	14.00	CARE BB; Stable
Fund-based - ST-Standby Line of Credit	-	-	-	2.10	CARE A4
Non-fund-based - ST-Letter of credit	-	-	-	1.25	CARE A4
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	0.65	CARE BB; Stable / CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (16-Mar-16)
2.	Fund-based - LT-Cash Credit	LT	14.00	CARE BB; Stable	-	1)CARE BB+; Stable (06-Apr-17)	-	1)CARE BBB- (16-Mar-16)
3.	Non-fund-based - ST-Letter of credit	ST	1.25	CARE A4	-	1)CARE A4+ (06-Apr-17)	-	1)CARE A3 (16-Mar-16)
4.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	0.65	CARE BB; Stable / CARE A4	-	1)CARE BB+; Stable / CARE A4+ (06-Apr-17)	-	1)CARE BBB- / CARE A3 (16-Mar-16)
5.	Fund-based - ST-Standby Line of Credit	ST	2.10	CARE A4	-	1)CARE A4+ (06-Apr-17)	-	1)CARE A3 (16-Mar-16)

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