

Inani Marbles and Industries Limited

March 04, 2019

Ratings

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

Details of facilities in Annexure-1

Detailed Rationale & Key rating Drivers

The ratings assigned to the bank facilities of Inani Marbles and Industries Limited (IMIL) continue to be remained constrained on account of continuous decline in scale of operation due to low demand from real estate sector as well as stressed liquidity position. The ratings, further, 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 Weakness

Decline in Total Operating Income (TOI) although remain stagnant in 9MFY19

Due to slowdown in the real estate sector, TOI of the company has witnessed continuous decline during past three financial years ended FY18. During FY18, TOI of the company has declined by 10.03% over FY17 mainly on account of decline in sale of marble blocks and marble slabs which has offset by higher sale of granite slabs by

However, as per provisional result of 9MFY19, TOI of the company remains almost at the same level and stood at Rs.30.63 crore.

Stressed 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. Due to higher inventory and debtors, the current ratio and quick ratio of the company stood moderate at 1.50 times and 1.03 times as on March 31, 2018. The average utilization of working capital limits remained full during last 12 months ended January, 2019. Cash and bank balance stood at Rs.0.41 crore as on March 31, 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

Healthy profitability margins

During FY18, PBILDT margin of the company has declined by 324 bps over FY17 owing to higher material cost however stood healthy at 13.53%. With decline in PBILDT margin along with higher depreciation expenses, PAT margin of the

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

company has declined by 264 bps in FY18 over FY17. 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.

However, as per 9MFY19, PBILDT margin and PAT margin has improved to 17.10% and 4.28% respectively as against 14.32% and 1.75% respectively in 9MFY18.

Comfortable solvency position

The capital structure of IMIL remained comfortable with an overall gearing of 0.44 times as on March 31, 2018. Further, debt service coverage indicators remained comfortable marked by total debt to GCA at 5.93 times as on March 31, 2018, however, marginally deteriorated from 4.39 times as on March 31, 2017 mainly due to decline in GCA level as well as higher total debt level. Further, interest coverage ratio stood at 2.47 times in FY18.

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](#)

About 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. 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).

(Rs. in crore)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total Operating Income	45.55	40.98
PBILDT	7.64	5.55
PAT	1.65	0.40
Overall gearing (times)	0.47	0.44
Interest coverage (times)	3.06	2.47

Status of non-cooperation with previous CRA: Not Applicable

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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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
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
Fund-based - ST-Standby Line of Credit	-	-	-	2.10	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 (03-Apr-18)	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 (03-Apr-18)	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 (03-Apr-18)	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 (03-Apr-18)	1)CARE A4+ (06-Apr-17)	-	1)CARE A3 (16-Mar-16)

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