Press Release

Stonemen Crafts India Private Limited

D-U-N-S® Number: 91-708-7173

December 13, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' **(read as ACUITE triple B plus)** and short term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs. 20.00 crore bank facilities of Stonemen Crafts India Private Limited. The outlook is **'Stable'**.

The Agra based, SCILP incorporated in 1995 is engaged in manufacturing of stone handicrafts using high-quality alabaster, granite, marble, sandstone, slate, soapstone, quartzite and other varieties of stone. Some of the products offered by the company include photo frame, stone candle stands, bedroom lamp shade, decorative mirror frame, decorative pot and kitchen décor & bathroom décor, marble décor with the combination of metal & wooden articles. The operations are 100 percent export oriented to retail chains and departmental stores in North America, Europe, Singapore, Hong Kong, Canada among others.

Analytical Approach

Acuité has considered standalone business and financial risk profile of SCIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

  SCIPL was incorporated by the promoters, Mr. Rajat Asthana and his brother, Mr. Shishir Asthana in 1995. The promoters have been engaged in the same line of business for more than two decades which has helped the company establish strong presence in the international market. SCILP has healthy relations of over a decade with majority of its customers and suppliers which help the company secure repeat orders.

- **Healthy financial risk profile**

  SCIPL's financial risk profile is marked by moderate net worth, low gearing and healthy debt protection measures. The company's tangible net worth stood at Rs.38.70 crore as on 31 March, 2018 as against Rs.28.91 crore as on 31 March, 2017. Gearing (debt-equity) stood comfortable at 0.36 times as on 31 March, 2018 against 0.56 times as on 31 March, 2017. The total debt of Rs.14.11 crore as on 31 March, 2018 comprises term loan of Rs.4.02 crore, and working capital facilities of Rs.10.08 crore. The interest coverage ratio stood at 11.72 times for FY2018 as against 14.84 times in the previous year. Net Cash Accruals to Total debt (NCA/TD) stood at 1.02 times for FY2018 as against 0.78 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.13 times as on 31 March, 2018 as against 1.66 times as on 31 March, 2017. SCIPL generated net cash accruals of Rs.14.44 crore for FY2018 as against debt repayment obligation of ~Rs.1.40 crore. The net cash accruals are expected to remain in the range of Rs.15- 20 crore over the medium term on account of absence of any major debt funded capex. Acuité believes that the debt protection metrics will continue to remain healthy on account of stable revenues and operating margins over the medium term.

- **Efficient working capital management**

  SCIPL has efficiently managed its working capital cycle marked by its Gross Current Asset (GCA) days of 111 for FY2018 against 106 in the previous year. The company has an inventory holding period of 46 days and receivable collection period of 40 days for FY2018 against 38 days and 49 days respectively in previous year. Average bank limit utilisation of working capital facilities for the last 6 months ended September 2018 has been ~75- 80 percent.

- **? Stable operating revenues with improvement in profitability**
  SCIPL registered growth in the revenue at CAGR of 9 percent for the period under study FY2016 to FY2018. The operating income stood at Rs.125.01 crore in FY2018 as against Rs.89.81crore in FY2016. Further, for FY2019 (April to September), the company has registered a turnover of Rs.80 crore and has an order book of Rs.40 crore as on September 2018 to be executed by December 2018. The profitability margins of the company have also registered an improved in FY2018 as against FY2016. The operating margin increased to 17.48 percent in FY2018 from 12.31 percent in FY2016. The improvement is mainly on account of decrease in raw material cost. In line with operating margins there have been improvement in PAT margins from 6.18 per cent in FY2016 to 8.01 per cent in FY2018.

Weaknesses

- **Labour intensive operations**
  The operations of the company are labour intensive as aforementioned line of business requires large number of skilled and unskilled labour to manufacture the end product. Further, the lobour cost accounts to 22 per cent of the total cost. Acuité believes that keeping the workforce satisfied and in turn complying to the requirements of labour laws by SCIPL will remain a key monitorable.

- **Customer concentration risk**
  The company has been exposed to customer concentration risk since the top 5 customers (namely Target Stores, Williams Sonoma, among others) constitute more than 60 percent of the total revenues. However, the same is mitigated to a certain extent on account of long standing and healthy relations with these customers. Acuité believes that high degree of concentration in the revenue profile of the company towards these customers will remain a key rating sensitivity factor over the medium term.

- **Exposure to forex exchange fluctuation risk**
  The company derives almost 100 percent of its revenue from export and does not completely hedge its forex receivables. Consequently, profitability may tend to fluctuate with volatility in forex rates. Any adverse forex fluctuation can significantly reduce profitability.

Outlook: Stable

Acuité believes that SCIPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management, established market presence and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in company's revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	125.01	123.75	89.81
EBITDA	Rs. Cr.	21.85	19.16	11.05
PAT	Rs. Cr.	10.02	9.38	5.55
EBITDA Margin	(%)	17.48	15.48	12.31
PAT Margin	(%)	8.01	7.58	6.18
ROCE	(%)	35.96	43.68	66.04
Total Debt/Tangible Net Worth	Times	0.36	0.56	1.01
PBDIT/Interest	Times	11.72	14.84	8.20
Total Debt/PBDIT	Times	0.64	0.83	1.31
Gross Current Assets (Days)	Days	111	106	86

Status of non-cooperation with previous CRA (if applicable)
CRISIL vide its press release dated August 27 2018 had denoted the rating of Stonemen Crafts India Private Limited as 'CRISIL BBB/ Stable (ISSUER NOT COOPERATING; Rating Migrated)' on account of lack of adequate information required for monitoring of ratings. The earlier rating however stood at 'CRISIL BBB /Stable (Assigned)' vide its press release dated July 13 2017. '

Any other information
Not Applicable

Applicable Criteria

• Default Recognition - https://www.acuite.in/criteria-default.htm
• Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
• Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A2

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About Acuité Ratings & Research:
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