

Press Release

Global Stones Private Limited

March 09, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 73.10 Cr.
Long Term Rating	ACUITE BBB+/Stable (Assigned)
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 73.10 Crore bank facilities of Global Stones Private Limited (GSPL). The outlook is '**Stable**'.

The rating reflects the significant improvement in revenue and profitability, healthy financial risk profile and strong interest coverage ratio. The operating income of the company has grown by 19.23 percent in the FY2020 over FY2019. Operating Income for FY2020 stood at Rs.163.67 Crore as against Rs.137.27 Crore for the FY2019. The performance of the company has improved even during the current COVID-19 period as the company have achieved a revenue of Rs.117 Crore as on 31st December, 2020. This was mainly due to an increase in demand for the products offered by the company. The EBITDA Margins have significantly improved to 26.08 percent for FY2020 as against 24.32 percent in FY2019 and 11.00 percent in FY2018. The PAT margin improved to 13.95 percent in FY2020 from 9.60 percent in FY2019 and 1.88 percent in FY2018. This is mainly due to shift of focus from granite and marbles to higher margin engineered quartz. The net worth of the company stood high at Rs.64.92 Crore as on 31 March 2020 as against Rs.42.09 Crore as on 31 March 2019. The interest coverage ratio (ICR) stood strong at 8.29 times in FY2020 as against 5.31 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio improved to 0.74 times in FY2020 as against 0.28 times in FY2019.

About the Company

Global Stones Private Limited was incorporated in 1991 by Mr. Rajiv Shah. The company is a one Star export house engaged in the mining, producing and exporting granites, marbles and engineered quartz. The manufacturing units are located at Jaipur, Rajasthan. The company exports granite and marble slabs to USA, Canada, UK, UAE, etc. The company has an installed capacity of 74.70 Lakh sq feet per annum of granite and marble slabs.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operation and experience management:**

The promoters of Global Stones Private Limited have long experience in marble industry. GSPL's board of directors comprises of three directors namely Mr. Mayank Shah, Mr. Aseem Sehgal, and Mr. Ashish Kachawa. Mr. Mayank Shah is the managing director and has around two decades of experience in the industry. He is ably supported by other directors who are professionally running the company.

Acuite believes that the company will continue to benefit from its experienced management and long track record of operation in technical textile industry.

- **Healthy financial risk profile:**

Company's financial risk profile remained healthy marked by strong net worth, low gearing and strong debt

protection metrics. The net worth of the company stood at Rs.64.92 Crore as on 31 March 2020 as against Rs.42.09 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years on account of healthy accretion to reserves during the same period. The gearing level (debt-equity) stood at 0.82 times as on 31 March 2020 as against 2.16 times as on 31 March 2019. The total debt of Rs.53.49 Crore as on 31 March 2020 consists of secured loan of Rs.12.83 Crore and working capital borrowings of Rs.40.66 Crore. The interest coverage ratio (ICR) stood high at 8.29 times in FY2020 as against 5.31 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.74 times in FY2020 as against 0.28 times in FY2019.

Acuite expects the financial risk profile of the company to remain healthy over the medium term on account of lower reliance on external borrowings and strong debt protection metrics.

Weaknesses

• Moderate working capital nature of operations

The working capital management of the company is moderate in FY2020 marked by reduction in Gross Current Assets (GCA) to 135 days in FY2020 as against 217 days in FY2019. The inventory and debtor levels stood at 71 days and 64 days in FY2020 as against 94 and 121 days in FY2019, respectively. The creditor days stood at 32 days in FY2020 as against 78 days in FY2019. As a result, the average utilization of bank limits stood low at ~50 per cent in the last six months ending November 2020. Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of high inventory and debtor days.

• Customer concentration risk

The company's customer base is heavily dominated by some of its clients. M.S. International Inc., Arizona Tile, LLC and Architectural granite and marble together constitutes of almost 60 per cent of the revenue for the FY2020. Acuite believes that the ability of the company to expand its customer base in order to mitigate the risk will be critical.

Rating sensitivity

- Significant improvement in operating income and profitability in the last 3 years.
- Strong gearing and efficient working capital operation

Material Covenant

None

Liquidity position: Strong

The Company has strong liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.39.68 Crore in FY2020 as against CPLTD of Rs.2.30 Crore for the same period. The company has prepaid its obligation multiple times. The cash accruals of the company are estimated to remain in the range of around Rs.35.00 Crore to Rs.42.00 Crore during FY2021-23 against CPLTD of not more than Rs.5.00 Crore each year for the same period. Although, company's working capital operations are moderate marked by Gross Current Asset (GCA) days of 135 days in FY2020. As a result, the average utilization of bank limits stood low at ~50 per cent in the last six months ending November 2020. Company maintains unencumbered cash and bank balances of Rs.0.58 Crore as on 31 March 2020. The current ratio stands at 1.15 times as on 31 March 2020.

Outlook: Stable

Acuite believes GSPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	163.67	137.27
PAT	Rs. Cr.	22.83	13.17

PAT Margin	(%)	13.95	9.60
Total Debt/Tangible Net Worth	Times	0.82	2.16
PBDIT/Interest	Times	8.29	5.31

Status of non-cooperation with previous CRA (if applicable)

GSPL's rating was flagged off as Issuer not cooperating with Brickwork ratings, through its rating rationale dated November 11th, 2020. The reason provided by Brickwork ratings is non-furnishing of information by GSPL.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2 (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A2 (Assigned)
Term Loan	April-2017	12.45%	September-2024	7.30	ACUITE BBB+/Stable (Assigned)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE BBB+/Stable (Assigned)
Proposed Fund Based Limit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Assigned)
Proposed Non Fund Based Limited	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Assigned)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:

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