

Press Release

Stonex India Private Limited

August 24, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	124.27	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	24.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	148.27	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**', { read as **ACUITE triple B**} and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.148.27 crore bank facilities of STONEX INDIA PRIVATE LIMITED. The outlook is '**Stable**'.

About the Company

Stonex India Private Limited is Delhi based company incorporated in 2007. The company is engaged in manufacturing of marbles, marble blocks, semi-precious stones, etc. It is promoted by Mr. Gaurav Aggarwal, Mr. Saurav Aggarwal and Mr.Vikas Aggarwal. Stonex India Private Limited has manufacturing unit at Kishangarh, Ajmer.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Stonex India Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management

The Directors of the company has vast experience in the aforementioned line of business. Their experience into this line of business would help the company to flourish. Acuite believes that Stonex India Private Limited. will continue to benefit from its operations and excellence.

Improvement in Revenue and profitability

Stonex India Private Limited has exhibited increase in the revenue from Rs.256.01 Cr in FY2021 to Rs.339.02 Cr. in FY2022(provisional) due to better realization and increase in sales volume. SIPL imports 80% of raw material and 20% from the domestic market. The quantum of suppliers in international market are very high. The EBITDA Margin of the company has reduced from 12.16% in FY2021 to 10.53% in FY2022(provisional). The operating profitability of the company has declined in FY22 vis-à-vis FY21 levels due to reimbursement of the salary cuts done during

FY20-21 (due to covid lockdowns). Furthermore, to increase brand value and customer awareness, an ad-campaign was run in all the major movie theatres. A one-time cost for the creation of the video was incurred which increased the marketing and advertisement expenses significantly. Further the PAT Margin increased from 2.52% in FY2021 to 3.21% in FY2022(provisional). The company has recorded the sales of Rs.108 Crores. In the first quarter of FY23, and is on track of achieving the projected sales of Rs. 450 Cr.

Adequate Financial Risk Profile

SIPL's financial risk profile is marked by net worth of 81.23 Cr in FY2021 which has increased to Rs.89.13Cr in on March 31, 2022(provisional), which leads to improved gearing of 1.63 times in FY2022(provisional) from 1.92 times in FY2021. On the other hand, the interest coverage ratio has improved from 2.45 times in FY2021 to 2.73 times in FY2022(provisional). The total debt of the company is Rs.145.35 Cr as on 31 st march 2022(provisional) which consists of Rs.27.78 Cr long term debt, unsecured loans amount to Rs.36.03cr, short term debt Rs.72.71Cr and current portion of long term debt amount to Rs.8.82 Cr. Further, the DSCR of the company is 1.30times in FY2022(provisional). Acuité expects that the debt coverage profile of the company will improve on the back of improved turnover and margins in the medium term.

Weaknesses

Working Capital Management

Operations of the company are highly working capital intensive and the operations of the company remains working capital intensive as evident from gross current assets (GCA) around 227 days in FY2022(provisional) and 295 days in FY2021. High GCA days are driven by high inventory requirement due to the nature of the industry. The inventory days of the company in FY2021 are 222 days and 176 days in FY2022(provisional). Further, the debtors and creditor days of the company are 55 days and 70 days respectively in FY2022(provisional), earlier it was 82 days and 73 days in FY2021 respectively. Additionally, the gearing ratio of the company is 1.63times in FY2022(provisional), earlier it was 1.92 times in FY2021.

Rating Sensitivities

- Improvement in revenue and profitability going forward
- Significant Improvement in working capital management of the company resulting into improved liquidity.

Material covenants

None.

Liquidity Position

Adequate

The Liquidity profile of the company is adequate. Cash accrual is Rs.19.37 Cr, which is sufficient against repayment obligations i.e., Rs.8.82 Cr. Going ahead, the company's cash accruals are estimated in the range of Rs.35 Crores to Rs.45 Crores in FY2023 and FY2024 compared to debt repayment obligations of Rs.12.10 Cr in FY2023 and Rs.17.93 Cr in FY2024 which shows an improvement in liquidity profile in coming years. Further, the current ratio of the company is 1.32 in FY2022(provisional) and 1.37 in FY2021. The company has unencumbered cash balance of Rs.0.51 Cr. The bank limit utilisation of the company is 87%

Outlook: Stable

Acuité believes that SIPL will continue to benefit over the medium term due to its "established market position and established relations with its customers, moderate financial risk profile and will maintain a 'Stable' outlook and benefit over the medium term from its promoters extensive industry experience. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile, especially liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	339.02	256.01
PAT	Rs. Cr.	10.88	6.46
PAT Margin	(%)	3.21	2.52
Total Debt/Tangible Net Worth	Times	1.63	1.92
PBDIT/Interest	Times	2.73	2.45

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

Not Applicable.

Applicable Criteria

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

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Assigned
Standard Chartered Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3+ Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	0.30	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	25.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	12.39	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	7.56	ACUITE BBB Stable Assigned

Axis Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	4.71	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	2.94	ACUITE BBB Stable Assigned
Standard Chartered Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	7.87	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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