

Stag International

September 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	28.47	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Negative and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	14.80	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE has been seeking information from Stag International (SI) to monitor the rating vide e-mail communications dated June 25, 2024, July 16, 2024, July 19, 2024, August 09, 2024, and numerous phone calls etc., However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the SEBI guidelines, CARE Ratings Limited (CARE Ratings) has reviewed the ratings based on the best available information which however, in CARE Ratings opinion is not sufficient to arrive at a fair rating. The rating of SI bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating).

The ratings assigned to the bank facilities of Stag International (SI) has been revised on account of non-availability of requisite information due to non-cooperation by SI with CARE Ratings efforts to undertake a review of the outstanding rating. CARE Ratings views information availability as a key factor in its assessment of credit risk.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects CARE Ratings opinion that the company will continue to benefit from the experience of promoters with a long track record of operations and strong brand presence.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

At the time of last rating on January 16, 2024, the following were the rating weaknesses and strengths.

Key weaknesses

Elongated Operating Cycle

Operating cycle of entity remains elongated which is further deteriorated during FY23 to 256 days as at March 31, 2023, as against 185 days as at March 31, 2022. Elongation in operating cycle was majorly on account of higher inventory days of 268 days during FY23 (PY: 179 days), since firm has multiple products coupled with comparatively longer lead time and has to maintain sufficient inventory level for smooth functioning this leads to high inventory holding of Rs. 48.19 crores as at March 31, 2023, as against Rs. 49.80 crores as at March 31, 2022. However, company is planning to reduce inventory level by 20% after end of the current financial year which will generate operating cash flows as well to reduce its working capital limits by Rs 0.15 crores on monthly basis. Further, firm allows credit period of around 90-100 days to its buyers whereas firm gets credit from suppliers which varies between 90-100 days.

Thus, owing to high operating cycle working capital facilities of the entity remains fully utilised throughout the last 12 months ending December 2023.

Small scale operations and low profitability margin.

Scale of operation of the firm remains small as marked by revenue from operations of Rs. 78.48 crores during FY23 (Audited; refers to the period of April 01 to March 31) which has been declined from Rs. 115.94 crores during FY22 (Audited; refers to the period of April 01 to March 31). Moreover, during last 5 years between FY19 to FY23 revenue from operation of the firm has grown at a CAGR of just ~1.39% on year-on-year basis. Scale of operations has increased during FY22 majorly due to higher demand of indoor games owing to COVID related restrictions whereas normal scale remains around Rs 80 crores to Rs 90 crores. Further, scale of operation remains in similar line in 9MFY24 (Audited; refers to the period of April 01 to December 31) as reflected by revenue from operations of Rs. ~55 crores.

Furthermore, the profitability margins of the entity remain low as reflected by PBILDT margin and PAT margin of 7.77% (PY: 8.97%) and 0.70% (PY: 4.22%) respectively. Thus, firm has booked gross cash accruals of just Rs. 1.12 crores during FY23 as compared to Rs. 5.53 crores during FY22. The decline in GCA during FY23 was majorly due to decline in revenue from operations by 32.30% as compared to revenue from operation in FY22 followed by declining PBILDT margin and high finance cost due to full utilisation of working capital limits.

Weak financial risk profile as reflected by high gearing and low interest coverage.

The capital structure of the firm remains weak as reflected by the long-term debt to equity ratio and overall gearing ratio of 0.52x and 6.53x, respectively, as of March 31, 2023, as against long-term debt to equity ratio and overall gearing ratio of 0.41x and 4.08x, respectively, as at March 31, 2022. The high gearing is backed by higher utilisation of working capital limits coupled with withdrawal of capitals by the partners, although firm don't have any term liabilities apart from government backed working capital term loan of Rs. 3.40 crores as at March 31, 2023. Further, due to full utilisation of working capital limits, interest cost of the firm remains higher leading to weak interest coverage ratio of 1.22 times as at March 31, 2023, as against 2.60 times as at March 31, 2022.

Constitution of the entity:

Stag International (SI) being a partnership firm has the inherent risk of possibility of withdrawal of the capital by the partners which is proven by the tendency of partners to withdrawn capital from the business at the time of personal contingency and requirements. Thus, net-worth of the entity has been reduced from Rs. 13.38 crores as at March 31, 2019, to Rs 6.54 crores as at March 31, 2023. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be key factors affecting credit decision for lenders.

Key strengths

Experienced management with long track record of operations

Stag International (SI) has its presence in sports equipment manufacturing industry since 1922 which enables establishing relationship with both customers and suppliers. The firm is currently being managed by Mr. Rakesh Kohli and Mr. Vivek Kohli. Mr. Rakesh Kohli has an experience of more than four decades in the industry and also a veteran Indian professional lawn tennis player.

Mr. Vivek Kohli who also has an experience of more than three decades in the industry through his association with SI and a veteran Indian professional table tennis player. Promoters are supported by team of well experienced professionals in their respective domains.

Strong brand presence and well-established marketing and distributor network

SI has successfully established "Stag" as a brand name in Table Tennis Tables, TT Bat, etc. in the domestic as well as international market. Strong brand image ensures customer loyalty and aid in the differentiation of products with the competitors. Stag is

accredited by International Table Tennis Federation (ITTF); which enhances its product acceptability. Additionally, the firm markets and sells its entire range of products through a well-established network. The marketing team of entity has presence in Delhi, Telangana, Maharashtra etc. as well as in international market. Top 5 buyers comprise almost 65% of the revenue from operations during FY23 whereas top 5 suppliers comprise 49% of total purchases during the FY23.

Liquidity: Stretched

The firm has earned Gross Cash Accruals (GCA) of Rs. 1.12 crores during FY23 and is projecting to generate GCA of around Rs ~4.60 crores & Rs ~5.62 crores in FY24 & FY25 respectively as against scheduled repayment obligations of Rs. 2.94 crores and Rs. 3.24 crores for FY24 & FY25 respectively. Scheduled repayment obligations include monthly reduction in cash credit limit by Rs 0.15 crores as limits are fully utilised. The current and quick ratio stood at average level of 1.08x and 0.34x, as on March 31, 2023, as compared with 1.14x and 0.41x as on March 31, 2022. Since, firm has higher inventory holding of Rs. 48.19 crores as at March 31, 2023, (PY: Rs 49.80 crores) leading to quick ratio below unity. Furthermore, due to high inventory holding operating cycle remains elongated at 256 days during FY23 as against 185 days during FY22 owing to which average working capital utilisation of the firm remains fully utilised throughout the year during last 12 months ending December 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

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[Financial Ratios – Non financial Sector](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Leisure Products

Stag International (SI) was incorporated in 1922 with a vision to manufacture quality sports equipment by Late Mr. Lala Arjan das Kohli. The firm is currently being managed by third generation entrepreneur and grandsons of late Lala Arjan das Kohli, Mr. Rakesh Kohli who is also a professional lawn tennis player & Mr. Vivek Kohli who is also a professional table tennis player. SI is engaged in manufacturing and distribution of sports equipment and sportswear i.e., Table Tennis (TT) Tables, TT Bat, Firm manufactures TT Tables and Bat at its manufacturing facility located at Meerut (U.P.).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (UA)
Total operating income	115.94	78.48	55.00
PBILDT	10.40	6.10	NA
PAT	5.94	0.55	NA
Overall gearing (times)	4.08	6.53	NA
Interest coverage (times)	2.60	1.22	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.55	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31-07-2025	2.92	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-EPC/PSC		-	-	-	12.80	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	2.92	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Negative (16-Jan-24) 2)CARE BB; Stable (11-Sep-23)	-	-
2	Fund-based - LT-Cash Credit	LT	25.55	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Negative (16-Jan-24) 2)CARE BB; Stable (11-Sep-23)	-	-

3	Fund-based - ST-EPC/PSC	ST	12.80	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-Jan- 24) 2)CARE A4 (11-Sep- 23)	-	-
4	Non-fund-based - ST-BG/LC	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (16-Jan- 24) 2)CARE A4 (11-Sep- 23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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Disclaimer:

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