

Orvi Design Studio

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	1.50	CARE BB+; Stable / CARE A4+	Upgraded from CARE BB; Stable / CARE A4
Short Term Bank Facilities	1.50	CARE A4+	Upgraded from CARE A4

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Orvi Design Studio (ODS) reflects parent support from Stone Age Private Limited, which acquired controlling stake in ODS in FY24. The ratings further, continue to derive strength from healthy profitability during FY24 (audited, FY refers to period from April 01 to March 31) along with experienced management & established marketing network, situated in Special Economic Zone (SEZ) leading to tax exemption and benefits with strategic location of manufacturing unit with proximity to raw material sources.

Above ratings however continue to remain constrained owing to modest scale of operations, moderate capital structure and debt coverage indicators along with stretched liquidity position during FY24. The ratings further remained contrived due to vulnerability of margins to fluctuation in raw material prices and foreign exchange rates as well as constitution of ODS as a partnership firm.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in firm's scale of operations marked by total operating income (TOI) above Rs.50 crore while maintaining current profitability position.
- Improvement in capital structure led by overall gearing of 1.50x or lower.

Negative factors

- Decline in TOI by more than 25% with decline in profitability marked by operating profit margin below 15%.
- Deterioration in debt coverage indicators led by interest coverage below 1.5x.
- Overall deterioration in liquidity profile marked by elongation in operating cycle to beyond 150 days.

Analytical approach: Standalone, while factoring in parent support provided by SAPL

ODS is a 99% subsidiary of SAPL having strong managerial and financial linkages with parent SAPL.

Outlook: Stable

CARE Ratings believes that entity will sustain its overall financial risk profile, benefitting from the experience of its promoters in industry along with location advantage of "Special Economic Zone – Mahindra World City, Jaipur".

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations

The scale of operations of the firm as marked by TOI remained modest at Rs.16.42 crore in FY24 as against 18.52 crore in FY23. It reported TOI of ~Rs.9 crore during H1FY25(provisional) with expectation to sustain its performance in FY25.

Moderate capital structure and debt coverage indicators

The capital structure of the firm improved however remained moderate as marked by an overall gearing ratio of 1.35x as on March 31, 2024, as against 2.01x as on March 31, 2023, mainly due to infusion of funds of Rs.3.53 crore by its parent company SAPL. The debt service coverage indicators deteriorated however continue to be at moderate level as marked by interest coverage ratio of 2.20x in FY24 (3.87x in FY23) due to increase in finance cost. Total debt to Gross Cash Accruals (TDGCA) also deteriorated to 8.20x as on March 31, 2024 (5.52x as on March 31, 2023) due to decline in GCA level.

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

Vulnerability of margins to fluctuation in raw material prices and foreign exchange rate

Different types of natural stones are the main raw material used by ODS to produce various finished products. The firm procures raw materials from local market and also imports marble from Italy, Turkey, China and Greece. The profitability of the firm is vulnerable to any adverse movement in raw material prices as the firm will not be immediately able to pass on the increased price to its customer and its elongated raw material inventory holding period. Further, ODS is also exposed to foreign exchange fluctuation risk considering that the firm generates income in foreign currency.

Constitution as a partnership concern

ODS' constitution as a partnership concern restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of partners.

Key strengths

Parent support with acquisition of stake by SAPL

SAPL is a parent company of ODS through acquisition of 99% stake in later during November 2023. SAPL is a flagship company of Stone Age Group engaged into processing and export of sandstone and limestone-based products for over three decades. Both SAPL and ODS are promoted and managed by the same promoters, Mr. Sanjeev Agrawal and Mr. Pawan Agrawal. SAPL's overall financial risk profile remained comfortable during FY24. In FY24, SAPL reported TOI of Rs.80.22 crore in FY24 (Rs.66.68 crore in FY23) with PBILDT and PAT margin of 6.16% and 2.28% respectively (FY23: 7.85% & 3.33%) on a standalone basis.

Sustained healthy profitability margins

ODS is into niche segment of handcraft tiles as well as home furniture products by carving stones and marbles manually hence, the profitability margins remained healthy over the years in the range of 17-20%. The profitability position as marked by PBILDT margin continue to remain healthy at 17.31% in FY24 as against 18.50% in FY23. PAT margin however deteriorated to 0.90% (Rs.0.15 crore) in FY24 as against 4.08% (Rs.0.76 crore) in FY23 due to increase in finance charges on account of higher working capital utilization.

Experienced management with established marketing network

Mr. Sanjeev Agarwal and Mr. Pawan Khandelwal, partners, have more than three decades of experience in the industry and looks after the overall affairs of the firm. Further, the management is assisted by qualified and experienced employees in smooth functioning of ODS. Being present in the industry since more than two decades, the firm has established marketing network for its products.

Situated in SEZ leading to tax exemption and benefits

The manufacturing unit of ODS is situated in SEZ due to which it is benefited with the duty-free import/domestic procurement of goods under custom & excise act and income tax exemption under Section 10AA of Income Tax Act, 1965 with a 100% tax exemption on export profits for the first five years from the year in which manufacturing commences and 50% of the export profits for the next five years till December 2023. Further, for the next five years a deduction shall be allowed of upto 50% of the profit as is debited to the profit and loss account and credited to the Special Economic Zone Reinvestment Reserve Account (subject to conditions). Furthermore, supplies to SEZs are zero rated under IGST Act, 2017 which is expected to have a positive impact on the profitability of the firm.

Strategic location of manufacturing units with close proximity to raw material sources

ODS's manufacturing facility is located in Rajasthan, strategically located in one of the major minerals producing region of India which makes it easier for the firm to access its primary raw material like sandstone, slatestone, limestone and quartzite. It uses mainly sandstone to manufacture its products. ODS has developed good business relations with the quarries owners resulting in benefits derived from lower logistic cost, easy and timely availability and procurement of raw materials at effective prices.

Liquidity: Stretched

The liquidity position of ODS remained stretched marked by elongated working capital cycle of 193 days during FY24 as against 103 days in FY23 on account of increase in average inventory holding period from 153 days in FY23 to 206 days in FY24 due to work in progress for on hand orders. Additionally, the entity does handcraft and machining work on natural stones which require longer period ranging from two to three months as per the requirements and specifications given by the customers, also the entity require to storage of stocks of different types/shades as required by the clients and maintaining adequate level of inventory is necessitated, given the nature of the product. GCA level remained sufficient at Rs.1.57 crore during FY24 for repayment of principal debt repayments arising in FY25. Cash and bank balance remained modest at Rs.0.07 crore as on March 31, 2024. Current ratio stood moderate at 1.55x as on March 31, 2024 (1.13x as on March 31, 2023) while quick ratio remained at 0.53x as on March 31, 2024 (0.41x as on March 31, 2023). The net cash flow from operations deteriorated from positive of Rs.2.10 crore during FY23 to negative of Rs.2.63 crore during FY24 mainly due to higher inventories.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Notching by Factoring Linkages in Rating](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Diversified Metals	Diversified Metals

Orvi Design Studio (ODS) was formed in 2011 as a partnership concern by Mr. Sanjeev Agarwal, Mr. Pawan Khandelwal and Ms. Sheela Agarwal. ODS is engaged in the business of carving, engraving, handcrafted work on natural stones and tiles. The firm has manufacturing unit located at "Special Economic Zone (SEZ) - Mahindra World City, Jaipur". The firm majorly exports its products to USA, UK, and Japan. The firm has dealers in India, UK, USA, France, Germany, Japan, Mexico, and Middle East. Further, during November 2023 SAPL acquired 99% of stake in ODS. SAPL is engaged in the business of processing and export of sandstone and limestone-based products like landscaping stones, tiles & slabs, wall panels and innovative stone surfaces.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	18.52	16.42	9.03
PBILDT	3.43	2.84	NA
PAT	0.76	0.15	NA
Overall gearing (times)	2.01	1.35	NA
Interest coverage (times)	3.87	2.20	NA

A: Audited Prov.: Provisional 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/ ST-EPC/PSC		-	-	-	1.50	CARE BB+; Stable / CARE A4+
Fund-based - ST-FBN / FBP		-	-	-	1.50	CARE A4+

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	-	-	-	1)Withdrawn (03-Jan-24)	1)CARE BB; Stable (06-Jan-23)	1)CARE BB; Stable (02-Feb-22)
2	Fund-based - LT/ ST-EPC/PSC	LT/ST	1.50	CARE BB+; Stable / CARE A4+	-	1)CARE BB; Stable / CARE A4 (03-Jan-24)	1)CARE BB; Stable / CARE A4 (06-Jan-23)	1)CARE BB; Stable / CARE A4 (02-Feb-22)
3	Fund-based - ST-FBN / FBP	ST	1.50	CARE A4+	-	1)CARE A4 (03-Jan-24)	1)CARE A4 (06-Jan-23)	1)CARE A4 (02-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/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/ ST-EPC/PSC	Simple
2	Fund-based - ST-FBN / FBP	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.

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About us:

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