

Stone Age Private Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	3.47 (Reduced from 5.00)	CARE BBB-; Stable	Reaffirmed; Outlook revised from Negative
Long-term / Short-term bank facilities	15.00	CARE BBB-; Stable / CARE A3	Reaffirmed; Outlook revised from Negative
Short-term bank facilities	15.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Stone Age Private Limited (SAPL) continue to derive comfort from moderate debt coverage indicators and adequate liquidity supported by generation of sufficient net cash accruals in FY24 (Audited, FY refers to period April 01 to March 31). Ratings also reflect growth in scale of operations and profitability; however, remains moderate. Ratings further continue to derive comfort from SAPL's experienced promoters with demonstrated track record of operations and strategic location of manufacturing unit with proximity to raw material sources.

However, ratings take note of increased debt levels as on balance-sheet date leading to moderation in capital structure with increase in working capital intensity. Ratings continue to remain constrained considering intense competition in the industry with presence of numerous unorganised players which makes easy availability of substitute products, close linkages of its prospects linked to cyclical real estate industry, profit margins vulnerable to fluctuation in raw material prices and foreign exchange rates, and working capital intensive business operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked by total operating income (TOI) to above ₹200 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 10% or above.
- Improvement in capital structure marked by an overall gearing ratio below unity times.

Negative factors

- Decline in scale of operations marked by TOI below ₹100 crore with deterioration in PBILDT margin from current level.
- Any increase in debt owing to capex or otherwise leading to overall gearing above 1.5x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered consolidated financials of SAPL and its subsidiary – Strata Stones Limited (SSL) and Orvi Design Studio (ODS) together referred to as Stone Age group. Details of the subsidiary consolidated with SAPL are mentioned in Annexure-6.

Outlook: Stable

CARE Ratings had earlier placed ratings on 'Negative' outlook due to anticipated sustained lower operational scale amidst challenging market conditions. However, the outlook has been revised to 'Stable' as the scale of operations rebounded in FY24 and further anticipation of improvement in the upcoming financial year.

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

Detailed description of key rating drivers:

Key strengths

Experienced promoters having demonstrated track record of operations

Sanjeev Agarwal, Chairman and Pawan Khandelwal, Managing Director, have over two decades of experience in the stone processing industry. Both are assisted by Ashok Kumar Agarwal, who has over two decades of experience in the industry and looks after finance function of the company. Top management is assisted by a team of well-experienced professionals from different fields. The promoters have also promoted Stone Age International engaged into supply of diamond tools and machineries for stone processing and construction industry and Stone Age Bundi Private Limited engaged in trading natural stones and renting warehouses. Being present in the stone processing industry since 1991, the group has long-standing relationship with its customers. The group has established marketing network across the world and has client base of over 100 regular customers in the US, Europe, Middle East, and Asia. The group regularly participates in international exhibition and trade fair for promoting its products.

Strategic location of manufacturing units with proximity to raw material sources

SAPL's manufacturing facility is in Rajasthan, strategically located in one of the major minerals producing region of India which makes it easier for the company to access its primary raw materials such as sandstone, slatestone, limestone, and quartzite. It mainly uses sandstone to manufacture its products. SAPL 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.

Moderate debt coverage indicators

The debt coverage indicators of the group remained moderate as marked by an interest coverage ratio of 2.06x in FY24 against 1.98x in FY23 on the back of improvement in operating profit of the group consequent to growth in scale of operations. Total debt to gross cash accruals (TDGCA) of the group remained moderate at 16.79x as on March 31, 2024 against 20.52x as on March 31, 2023.

Key weaknesses

Moderate scale of operations and profitability

The scale of operations as marked by the group's TOI remained moderate at ₹127.63 crore in FY24 against ₹108.87 crore in FY23 at a consolidated level. Due to adverse market condition stemming from Russia-Ukraine war; FY23 was challenging for SAPL leaving an adverse impact on standalone TOI; however, with improving market conditions, TOI has started revamping from ₹66.68 crore in FY23 to ₹80.22 crore in FY24. In H1FY25(Prov.), the group reported TOI of ₹89 crore on a consolidated basis, which is expected to increase in second half of the year on the back of recently completed capacity expansion-cum-technology upgradation capex in SAPL of ₹6.35 crore is towards purchase of water jet stone cutting machine which was funded through unsecured loan from corporates of ₹5 crore and balance through internal accruals.

The profitability position as marked by PBILDT margin improved and remained at 5.95% in FY24 against 3.68% in FY23 post takeover of ODS by SAPL, which is into niche segment of handcraft work on natural stones. Consequently, profit after tax (PAT) margin of the group remained at 1.78% in FY24 against 0.46% in FY23.

Moderation in capital structure

The capital structure of the group as a whole remained moderate as marked by an overall gearing ratio of 1.37x as on March 31, 2024 against 0.87x as on March 31, 2023, which is mainly considering increased debt levels as on balance-sheet date with increase in working capital intensity and infusion of unsecured loans of ₹5 crore to fund the recently completed technology upgradation capex in SAPL. The comfort can be derived from equity infusion of ₹1.20 crore in SAPL in FY24.

Geographically concentrated revenue base of group

SAPL is an Export Oriented Unit (EOU) with United Kingdom (UK) being the major export market contributing ~57% of SAPL's total revenue in FY24 (~29% in FY23). Also, SSL which is foreign subsidiary is engaged into trading of natural stones and renting of warehouses is based at UK having its customer base over there. Hence, the revenue base of the group is concentrated to UK thereby exposing the group to the economical changes of UK.

Working capital intensive nature of operations

SAPL operates in a highly working capital-intensive business marked by high inventory holding and elongated collection period. Owing to the nature of industry, operating cycle remains largely high mainly on account of high average inventory period of 198 days and average collection period of 104 days in FY24. SAPL usually maintains inventory for 3-4 months in order to meet the requirement of the export customers coupled with lead time of 70-80 days involved in importing of raw material. SAPL grants credit period ranging from 45 days-180 days as per the customer relationship.

Intense competition in the industry with presence of innumerable unorganized players

Globally, natural stone production is dominated by China, Brazil, India, Saudi Arabia, Italy, and Spain. India has abundant resources of natural stones, which makes it one of the top producers and exporters in the world. India has widespread availability of various qualities of sandstone and limestones, especially in Rajasthan and Madhya Pradesh. The presence of vast mineral resources along with increasing demand globally has provided robust growth opportunities to players in the segment. Due to this,

the industry is marked with presence of innumerable unorganized players and the natural stone industry is a fragmented industry which results in intense competition. Further, Indian exporters face competition from growing preference of engineered stone.

Prospects linked to cyclical real estate sector

As SAPL is mainly involved in exports, it is exposed to the risk of slowdown in demand of its products in the target markets. The demand for company's products is linked to the cyclical real estate sector. The industry primarily depends on demand from real estate and construction sector across the globe. The real estate industry is cyclical in nature and is exposed to external factors such as the disposable income, and interest rate scenario, among others. Any adverse movement in the macroeconomic factors may affect the real estate industry and, in turn, business of SAPL.

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

SAPL procures natural stone and does processing on the stones. Majority of total costs constitutes raw material costs, hence adverse movement in raw material prices shall impact adversely on the profitability. SAPL is also exposed to foreign exchange fluctuation risk considering that the company generates majority income in foreign currency, hence profitability of the company is exposed to volatile foreign exchange rates. However, SAPL is protected against the same to the extent of hedging done.

Liquidity: Adequate

The liquidity position of the group remained adequate characterised by sufficient net cash accruals to serve the debt repayment obligations, moderate utilisation of working capital limits, and moderate cash and bank balance. Current and quick ratio of the group remained moderate at 1.22x and 0.55x as on March 31, 2024. The average utilisation of its fund-based WC limits of SAPL remained ~60-70% in the trailing 12 months ended on October 31, 2024. Cumulative DSCR of group is envisaged to remain moderate at 1.52x in future period FY25-FY27. Cash and bank balance remained at ₹4.41 crore as on March 31, 2024. Working capital cycle continue to remain elongated at 223 days in FY24 due to high inventory holding period of 198 days since it procures inventories for two to three months to meet up future requirement.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[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

SAPL was incorporated in 1991 by Sanjeev Agarwal and Pawan Khandelwal. The company is engaged in processing and exporting sandstone and limestone-based products such as landscaping stones, tiles & slabs, wall panels, and innovative stone surfaces and trading of similar products. It has a 100% EOU at Jaipur, Rajasthan. It procures stones from quarries in Rajasthan, Uttar Pradesh, Madhya Pradesh and sells to distributors and builders in UK, Germany, France, Italy, Spain, US Middle East, and China. The company has well-equipped processing facility to deliver optimum variety of products. The company has also been accredited with ISO 9001:2015 and SA 8000:2014 certification by TUV Rhineland (China) Limited. SAPL has wholly owned foreign subsidiary- Strata Stones Limited (situated in United Kingdom), which is engaged in trading natural stones. SAPL acquired 99% of stake in a partnership firm- Orvi Design Studio (rated 'CARE BB+; Stable/ CARE A4+'), which is into niche segment of carving, engraving, and handcraft work on natural stones and tiles.

Brief Financials (₹ crore)	Stone Age Group (Consolidated)		SAPL (Standalone)	
	FY23 (A)	FY24 (A)	FY23 (A)	FY24 (A)
Total operating income	108.87	127.63	66.68	80.22
PBILDT	4.01	7.60	5.23	4.94
PAT	0.50	2.27	2.22	1.83
Overall gearing (times)	0.87	1.37	0.77	0.91
Interest coverage (times)	1.98	2.06	3.05	2.08

A: Audited, 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-Term loan		-	-	December-2026	3.47	CARE BBB-; Stable
Fund-based - LT/ ST-EPC/PSC		-	-	-	15.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-FBN / FBP		-	-	-	10.00	CARE A3
Fund-based - ST-Standby line of credit		-	-	-	5.00	CARE A3

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 - ST-FBN / FBP	ST	10.00	CARE A3	-	1)CARE A3 (26-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (03-Feb-22)
2	Fund-based - LT/ST-EPC/PSC	LT/ST	15.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Negative / CARE A3 (26-Dec-23)	1)CARE BBB-; Stable / CARE A3 (06-Jan-23)	1)CARE BBB-; Stable / CARE A3 (03-Feb-22)
3	Fund-based - ST-Standby line of credit	ST	5.00	CARE A3	-	1)CARE A3 (26-Dec-23)	1)CARE A3 (06-Jan-23)	1)CARE A3 (03-Feb-22)
4	Fund-based - LT-Term loan	LT	3.47	CARE BBB-; Stable	-	1)CARE BBB-; Negative (26-Dec-23)	1)CARE BBB-; Stable (06-Jan-23)	-

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-Term Loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	Simple
3	Fund-based - ST-FBN / FBP	Simple
4	Fund-based - ST-Standby Line of Credit	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Strata Stones Limited	Full	Subsidiary
2	Orvi Design Studio	Proportionate	Subsidiary

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

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Sajni Shah Assistant Director CARE Ratings Limited Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in
	Jalpa Rughani Lead Analyst CARE Ratings Limited E-mail: jalpa.rughani@careedge.in

About us:

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