

Merge Stones

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	35.00	CARE B; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under 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 Merge Stones to monitor the ratings vide e-mail communications dated August 18, 2024, to December 18, 2024, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Analytical approach: Standalone

Detailed description of key rating drivers:

At the time of last rating on October 03, 2023, the following were the rating strengths and weaknesses (updated for the information available from FY24 Provisionals as shared by client).

Key weaknesses

Short track record of operations and moderate scale of operations

The firm started processing of granites in August 2018, hence firm has short track of business operations. The scale of operations of the firm remained moderate at Rs 51.39 crore in FY2024. The PBILDT margin of the firm stood at 17.69% and PAT margin at 6.52% in FY24.

Leverage capital structure and weak coverage indicators

The capital structure of the firm improved during review period and remained moderately leveraged at 1.56x as on March 31, 2024, against 2.16x in FY23 due to decrease in debt levels and increase in networth. The TD/GCA and PBILDT interest coverage remained at 6.13x and 2.26x in FY24.

Working capital intensive nature of operations

The firm operates in working capital intensive nature of business where the firm needs to hold the inventory to meet the customer requirement and for display requirement. The operating cycle of the firm remained at 321 days in FY24.

Highly fragmented industry

The industry is considered to be highly fragmented with presence of large number of organized and unorganized players. The entry barriers to the industry are very low and the operating margin is susceptible to new capacity additions in the industry. The industry is primarily dependent upon demand from real estate and construction sector across the globe. The real estate industry is cyclical in nature and is exposed to various external factors like the disposable income, interest rate scenario, etc.

Partnership nature of business

MS being a partnership firm 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.

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

Key strengths

Experienced promoters

Merge Stones (MS) is a Telangana based firm, established in December 2016, and promoted by Mr. S. Hanumantha Rao, Mr. M. Sharat Babu, Mr. S. V. N. Satya Bharat and Mr. M. V. Rama Krishna as a partnership firm. The promoters are qualified graduates and have experience of more than two decades in granite processing industry and other businesses. Through their experience in the marble and granite products business, they have established healthy relationship with key suppliers, customers and dealers facilitating the business within the state. Promoters are also partners in other business i.e., Sri Ads (Hyderabad) and Krishna Sai Granites (Ongole). The promoters are resourceful and will bring need-based funds.

Assumptions/Covenants- NA

Environment, social, and governance (ESG) risks - Nil

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Wholesale Trading](#)

[Financial Ratios – Non financial Sector](#)

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Minerals & Mining	Industrial Minerals

Merge Stones (MS) is a Telangana based firm, which was established in December 2016 and promoted by Mr. S. Hanumantha Rao, Mr. M. Sharat Babu, Mr. S. V. N. Satya Bharat and Mr. M. V. Rama Krishna as a partnership firm. The firm is engaged in processing of marble stones and trading of granite slabs. The operations of the firm commenced in August 2018. The firm imports rough marble blocks from Italy, Turkey, Greece, Spain and Hongkong among others. The firm processes the rough marble stones 3 CARE Ratings Ltd. Press Release at its factory located at Farooqnagar, Hyderabad. The firm sells the marble stones and granite slabs to retailer and construction companies located at Telangana, Andhra Pradesh, and Karnataka.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	13.59	18.47	51.39
PBILDT	3.54	6.68	9.09
PAT	-1.80	0.82	3.35
Overall gearing (times)	2.34	2.16	1.56
Interest coverage (times)	0.91	1.60	2.26

A: Audited UA: Unaudited P: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The ratings of Merge Stones continue to remain under INC by CRISIL vide its PR dated December 19, 2023, due to lack of adequate information.

Any other information: NA

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		-	-	-	15.66	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	31-12-2026	19.34	CARE B; Stable; 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-Cash Credit	LT	-	-	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (21-Apr-22) 2)Withdrawn (21-Apr-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (22-Nov-21)
2	Non-fund-based - ST-ILC/FLC	ST	-	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (21-Apr-22) 2)Withdrawn (21-Apr-22)	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (21-Apr-22) 2)Withdrawn	1)CARE B-; Stable; ISSUER NOT COOPERATING* (22-Nov-21)

							(21-Apr-22)	
4	Fund-based - LT-Term Loan	LT	19.34	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (03-Oct-23)	1)CARE B+; Stable (16-Aug-22)	-
5	Fund-based - LT-Cash Credit	LT	15.66	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (03-Oct-23)	1)CARE B+; Stable (16-Aug-22)	-

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

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- NA

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

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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