

Solid Stone Company Limited
 September 05, 2018

Rating	Amount (Rs. crore)	Rating ¹	Rating Action
Facilities			
Long term Bank Facilities	13.80	CARE BB +; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Total facilities	13.80 (Rs. Thirteen crore and Eighty lakh only)		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The reaffirmation in the rating assigned to the bank facilities of Solid Stone Company Limited (SSCL), continues to be constrained by modest scale of operation with moderate profit margins, working capital intensive nature of operations and operations in the highly competitive and fragmented industry with linkages to cyclical real estate sector. The rating however, continue to derive strength from the long track record of operations and experienced promoters in the marble industry, reputed customer base, comfortable capital structure and moderate debt coverage indicator. The ability of SSCL to significantly increase scale of operations along with efficient management of working capital cycle are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations with marginal decline in scale of operations: On a consolidated basis, the total operating income slightly declined to Rs.63.49 crore in FY18 vis-à-vis Rs. 67.85 crore in FY17 on account of decrease in orders executed due to reduced focus on wholesale segment and, company emphasized more on retail segment (high net worth individuals). Further during Q1FY19, Company achieved total operating income of Rs. 8.83 crore and as on July 01, 2018, it has an order book position of Rs.6.33 crore. Ability of group to further scale up its operations is critical from credit perspective. Further, on consolidated basis net worth base remained moderate at Rs.21.35 crore as on March 31, 2018.

Moderate profit margins: PBILDT margin remained in the range 5.01% to 7.09% during FY15 to FY18. Further PBILDT margin improved marginally from 5.81% in FY17 to 5.89% in FY18 on account of higher realization. However PAT margin declined from 1.02% in FY17 to 0.84 % in FY18 on account of non-operating expenses due to loss on investment written off and deferred tax expenses during FY18.

Improvement in working capital cycle, though continues to remain elongated: SSCL's operations are working capital intensive in nature due to funds blocked in inventory on account of heterogeneous nature of the product necessitating storage of minimum level of stocks of different types/shades. Also since the entity deals with reputed customers it results in low bargaining power, thereby resulting in elongated collection period. The above has led to higher utilization of the working capital limits during past 12 months ended July 2018.

Presence in highly competitive marbles industry with linkages to cyclical real estate sector: The entity operates in a highly competitive industry with limited entry barriers and thereby faces competition from many organized and unorganized players. Due to slowdown in real estate industry and the impacted real estate sector ultimately affected the marble industry as well and which will result into impact on profitability margin and the total turnover of the companies.

Key Rating Strengths

Long track record of operation and experienced promoters in the marble industry: The promoters have been in the business of marbles industry since 1990. The managing director, Mr. Milan Khakhar, Mr. Prakash Khakhar and Ms. Vasumati Khakhar have more than three decades of experience in marble industry and look after the overall management. Furthermore the top management is supported by personnel having adequate and relevant experience in their respective fields to carry out day-to-day operations.

Reputed customer base : The entity has established healthy association with reputed clients namely Reliance group, Welspun group, Chhabriya Group, Emami group and other domestic clients namely Flora Marmo Industries Private Limited, Millenium Marbles Private Limited and continues to receive orders from them.

Comfortable capital structure however deterioration in debt coverage indicators: SSCL's capital structure stood comfortable in past on account of lower reliance on external debt to fund its business operation coupled with accretion

¹Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.

of profits to reserves. The capital structure as reflected by overall gearing which remained stable at 0.78x as on March 31, 2018 and March 31, 2017. However debt coverage indicators have been deteriorating since FY15 and remained weak in FY18. Total debt to GCA deteriorated to 17.30x in FY18 vis-à-vis 13.23x in FY17 on account of decline in gross cash accruals and increased debt level. Further interest coverage also deteriorated to 1.77x in FY18 vis-à-vis 1.84x in FY17 on account of reduced profitability.

Analytical approach – Consolidated

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology-Manufacturing Sector

Financial ratios – Non-Financial Sector

About the Company

Solid Stone Company Limited (SSCL) was initially set up as a private limited company namely Solid Granite Private Limited by Mr. Milan Khakhar, Mr. Prakash Khakhar, Ms. Vasumati Khakhar and Ms. Jeenuo Khakhar in 1990 and was reconstituted as a public limited company in 1994 and got its current name. SSCL is the flagship company of Solid Group and is engaged in the business of processing and trading of pre polished marbles, natural stones, mosaics, marble slabs and semi-precious gem stones through its processing unit located at Palghar. Further it does trading of marbles through its retail outlet namely "STONE SOURCE SELECT" in Mumbai and sells under the brand name of "Stone Source". SSCL caters to the high end and reputed customers namely Reliance group, Welspun group, Chhabriya Group, Emami group and other clients namely Flora Marmo Industries Private Limited, Millenium Marbles Private Limited. SSCL has other group company, Global Instile Solid Industries Limited (GISIL) which is engaged in the processing of marble which is incorporated in 1999. The group shares a common management.

Brief Financials@ (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	67.85	63.49
PBILDT	3.94	3.74
PAT	0.67	0.51
Overall gearing (times)	0.78	0.78
Interest coverage (times)	1.84	1.77

@Consolidated numbers

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Ms. Ruchi Shroff

Tel: 022-67543554

Email: ruchi.shroff@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form

an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	13.80	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	13.80	CARE BB+; Stable	-	1)CARE BB+; Stable (08-Jan-18)	-	-

CONTACT
Head Office Mumbai**Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691