

## Solid Stone Company Limited

### December 08, 2020

#### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> (Rs. Only)		

*Details of instruments/facilities in Annexure-1*

#### **Detailed Rationale and Key Rating Drivers**

CARE has reviewed the rating assigned to the bank facilities of Solid Stone Company Limited to CARE BB+; Stable and has simultaneously withdrawn it, with immediate effect. The rating also factors in modest scale of operation with moderate profit margins, weak debt coverage indicator, working capital intensive nature of operations and operations in the highly competitive and fragmented industry, long track record of operations and experienced promoters in the marble industry, reputed customer base and comfortable capital structure.

The rating withdrawal is at the request of Solid Stone Company Limited and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

#### **Detailed description of the key rating drivers**

##### **Key Rating Weaknesses**

**Modest scale of operation:** During FY20, the total operating income declined to Rs.36.09 crore vis-à-vis Rs. 42.37 crore in FY19 due to decline in demand. However gross cash accruals improved to Rs. 1.65 crore in FY20 vis-à-vis Rs. 1.10 crore in FY19. Nevertheless, despite the decline in total income comfort can be drawn from the fact that group continues to deal with reputed client base and receives repeated orders from them.

**Moderate profit margins:** PBILDT margin of the group improved from 8.54% in FY19 to 10.97% in FY20 on account of higher realization. PAT margin of the group also improved from 1.39% in FY19 to 1.91% in FY20 with improvement in PBILDT margin and lower interest expenses incurred in FY20. Further company has reported net loss Rs.1.70 crore in H1FY21 {vis-à-vis net profit Rs.0.27 crore in H1FY20}.

**Weak debt coverage indicators:** Debt coverage indicators continued to remain moderate in FY20. Interest coverage ratio improved to 1.98x in FY20 vis-à-vis 1.62x in FY19 on account of decline in interest cost. Total debt to GCA improved to 10.27x in FY20 vis-à-vis 14.45x in FY19 on account of increase in gross cash accruals. Further debt coverage indicators deteriorated in H1FY21 however company is servicing debt regularly.

**Working capital intensive nature of operation:** Group's operations are working capital intensive in nature due to funds blocked in inventory and receivables. High inventory holding period (around 224 days in FY20 vis-à-vis 175 days in FY19) is on account of heterogeneous nature of the product necessitating storage of minimum level of stocks of different types/shades. However in absolute terms outstanding inventory is lower at Rs. 19.42 crore as on March 31, 2020 vis-à-vis Rs. 21.19 crore as on March 31, 2019. Further collection period has stretched from 100 days in FY19 to 158 days in FY20 in order to maintain relation with its clients in light of intense competition prevalent in the industry. Further group receives credit period of around one month resulted in creditors period of 17 days in FY20 vis-à-vis 20 days in FY19. The above has led to higher utilization of the working capital limits (the average utilization of the working capital limit stood at ~90% as on 12 months ended November 2020).

**Presence in highly competitive marbles industry:** The group 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.

**Stretched liquidity position:** Liquidity position remained stretched with low cash and bank balance of Rs. 0.18 crore as on March 31, 2020 vis-à-vis Rs. 0.08 crore as on March 31, 2019. Further current ratio remained at 1.87 times, its quick ratio remained at 1.00 times as on March 31, 2020 vis-à-vis current ratio of 5.02 times and quick ratio of 2.52x as on March 31, 2019.

### 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 group 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:** Group's capital structure continues to remain comfortable on account of high net worth base compared to total debt due to low reliance on external debt coupled with accretion of profits to reserves. The capital structure as reflected by overall gearing which remained stable at 0.75x as n March 31, 2020 vis-à-vis 0.72x March 31, 2019.

### Analytical approach – Consolidated

The following company is considered in the consolidated financial statements:

Name of the company	Country of Incorporation
Global Instile Solid Industries Limited	India

SSCL has other group company, Global Instile Solid Industries Limited (GISIL) which is engaged in the processing of marble which is incorporated in 1997. The group shares a common management. Moreover, GISIL has also given a corporate guarantee to the bank facilities of SSCL. SSCL holds 29% stake and rest 71% is held by promoters of SSCL in GISIL.

### Applicable Criteria

#### Policy on Withdrawal of ratings

#### CARE's Policy on Default Recognition

#### Criteria on assigning outlook and credit watch to Credit Ratings

#### Rating Methodology - Wholesale Trading

#### Financial ratios (Non-Financial Sector)

#### Rating Methodology: Factoring Linkages in Ratings

### 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 has other group company, Global Instile Solid Industries Limited (GISIL) which is engaged in the processing of marble which is incorporated in 1997. The group shares a common management.

Brief Financials@ (Rs. crore)	FY19 (A)	FY20 (A)
Total Operating Income	42.37	36.69
PBILDT	3.62	4.02
PAT	0.59	0.70
Overall Gearing (times)	0.72	0.75
Interest coverage (times)	1.62	1.98

@Consolidated financials

A: Audited

Brief Financials@ (Rs. crore)	FY19 (A)	FY20 (A)	H1FY21 (UA)
Total operating income	41.37	36.70	5.79
PBILDT	3.66	4.04	0.04
PAT	0.68	0.70	-1.70
Overall gearing (times)	0.76	0.71	0.82
Interest coverage (times)	1.68	1.99	0.03

@Standalone financials

A: Audited, UA: Unaudited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**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	-	-	-	0.00	Withdrawn

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (20-Nov-19)	1)CARE BB+; Stable (05-Sep-18)	1)CARE BB+; Stable (08-Jan-18)

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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