Press Release

Stone Sapphire (India) Private Limited
March 31, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	132.68 (Enhanced from Rs.99.20 crore)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Rating Upgraded	Simple
Short Term Bank Facilities	21.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Rating Upgraded	Simple
Total	**153.68 (Rs. One Hundred Fifty-Three Crore and Sixty-Eight Lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgrade in the rating assigned to the bank facilities of Stone Sapphire (India) Private Limited (SSIPL) considers improvement in the business performance of the company marked by growth in scale of operation and profitability in FY24 [FY refer to period from April 1 to March 31] and subsequently in 9MFY25 leading to improvement in debt protection metrics. Furthermore, the ratings continue to derive strength from experienced promoters of the company, established market presence with diversified product portfolio and strong brand name. However, these rating strengths remain constrained by SSIPL's moderate capital structure, vulnerability of profitability to cost inflationary pressures, exposure to intense competition along with rising popularity of online gaming and rapid digitalization which may restrict the growth opportunity of stationery segment.

The outlook is stable on account of the expected healthy business performance of the company on the back of improvement in the operating scenario.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and/or profitability leading to improvement in debt protection metrics
- Improvement in the capital structure with improvement in overall gearing ratio to below 2.0x
- Improvement in working capital requirement leading to improvement in liquidity

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics
- Withdrawal of subordinated unsecured loans amounting to Rs.11.42 crore and/or any unplanned capex leading to moderation in the capital structure with moderation in overall gearing ratio to above 3x
- Elongation in the operating cycle leads to deterioration in the liquidity profile of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

  The promoters of the company have experience of over decades in the industry and have a strong understanding of the market dynamics, which has helped them to establish good business relationships. Moreover, the company is well supported by a second line of management. The extensive experience of the promoters supports the business risk profile of the company to an extent.

- **Established market presence with diversified product portfolio and strong brand name**

  SSIPL is engaged in the business of toys, stationery, homeware and sports segment. The company launched its own brand for children's stationery & related school supplies segment named 'Skoodle'. In the homeware segment, the Company is into distribution of reputed USA based Homeware Brand – Corelle (the company acquired the distribution rights in January 2022). The company is now the exclusive national importer and distributor of Corelle, Corning ware, Visions, Pyrex and Snap ware. The company currently offers more than 500 + SKU across children art and craft, stationery, toys, and homeware segments which are being sold across more than 50,000 doors vide a Pan-India distribution network managed through 250+ member strong sales force.

- **Improvement in business performance**

  The total operating income (TOI) of the company improved by ~71% i.e. from Rs.144.42 crore in FY23(A) to Rs. 247.24 crore in FY24(A) driven by improvement in sales volume attributable to favourable market demand. With an increase in TOI, EBITDA margin and PAT margin also increased from 14.96% and 5.81% respectively in FY23(A) to 15.35% and 6.28% respectively in FY24(A). The increase in EBITDA margin is mainly on the back of the increase in scale of operations resulting in better absorption of fixed overheads coupled with rise in sales from Homeware segment and sports segment. In 9MFY25, SSIPL has already achieved a turnover of Rs. ~204.00 crore.

- **Improvement in debt protection metrics**

  The debt coverage indicators stood comfortable with ICR of 3.21x in FY2024 (3.23x in FY2023). With increase in overall profitability, Total debt/EBITDA and Total debt to NCA also improved to 3.40x and 5.92 years respectively as on March 31,2024 [4.39x and 7.07 years as on March 31,2023]. DSCR of the company also continues to remain comfortable.

Key Rating Weaknesses

- **Moderate capital structure**

  The company has a moderate net worth base of Rs.48.65 crore as on March 31, 2024, including the subordinated unsecured loans from promoters/directors aggregating to Rs.11.42 crore. The debt profile of the company comprises term loan and working capital bank borrowing. The capital structure of the company remained moderate with long term debt equity ratio and overall gearing ratio at 0.81x and 2.65x respectively as on March 31,2024. [0.44x and 2.52x respectively as on March 31, 2023].

- **Margins vulnerable to cost inflationary pressures**

  Prices for raw materials, which make up a significant amount of production costs, have a significant impact on the cost of production and profit margin in the stationery business. In recent years, there has been volatility in the prices of essential materials, including plastic, paper, and pigments. Furthermore, because of rivalry, the business might not be able to fully pass on the price rise for raw materials to customers.

- **Exposure to intense competition and rising popularity of online gaming.**

  The business of the company is exposed to intense competition due to the extremely fragmented nature of Indian stationery market. The market is highly fragmented attributable to the presence of large number of unorganized businesses in the lower end of the product segments, which includes adhesives, pens, and pencils coupled with the presence of few established brands. In the pens area, where the SSIPL has less visibility, competition is far fiercer. Further, online games are widely popular among kids, as they can be played on smartphones and tablets without the need of an additional play kit. This will likely pose challenges to the growth of the video console kit maker’s businesses, thereby hampering the toy industry growth.

- **Rapid digitalization may restrict the growth opportunity of stationery segment.**
  Rapid digitalization is one of the prominent restricting factors, which is predicted to limit expansion opportunities in the target industry. Green schooling and smart classes are limiting the consumption of stationery products and thus having adverse impact on market growth

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria of assigning rating outlook

Policy on default recognition

Complexity level of Rated Instrument / Facilities.

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by its expected sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.3.34 crore in FY2025 and Rs.2.76 crore in FY2026 and Rs. 2.60 crore in FY2027 respectively. Further, resourcefulness of the promoters and growing demand of its products also supports the liquidity profile of the company to an extent. However, the average working capital utilisation remained high at ~95% for the last twelve months ended February 2025 indicating a limited cushion.

About the Company

Stone Sapphire (India) Private Limited (SSIPL) was incorporated in 2007 by Mr. Vikram Rana and has its registered office located in Vadodara, Gujarat. SSIPL is engaged in four segments namely Stationery, Toy, Homewares and Sports. The company operates on OEM manufacturing model (mix on manufacturing and job work) for stationery and toys segment. Besides, the Company is also into distribution of USA based Homeware Brands i.e. Corelle, which was introduced since January 2022.

Financials (Standalone):

(Rs. crore)

For the year ended/ As On*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	144.42	247.24
EBITDA	21.60	37.95
PAT	8.40	15.52

For the year ended/ As On*	31-03-2023	31-03-2024
Total Debt	94.80	129.17
Tangible Net worth	26.22	37.23
Adjusted Tangible Net Worth	37.64	48.65
EBITDA Margin (%)	14.96	15.35
PAT Margin (%)	5.81	6.28
Overall Gearing Ratio (x)	2.52	2.65
Interest coverage Ratio (x)	3.23	3.21

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					March 22, 2024	-	-
1.	Term Loan / WCTL / WCDL	Long Term	52.68*	IVR BBB/Stable	IVR BBB-/Stable	-	-
2.	Cash Credit	Long Term	80.00	IVR BBB/Stable	IVR BBB-/Stable	-	-
3.	Overdraft	Short Term	21.00	IVR A3+	IVR A3	-	-

*Term loan of Rs.7.50 crore was fully repaid.

Analytical Contact:

Name: Mr. Avik Podder

Tel: (033) 4803 3621

Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly known as Infomerics Valuation and Rating Pvt Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument / Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	November 2031	52.68*	IVR BBB/Stable
Cash Credit	-	-	-	-	80.00	IVR BBB/Stable
Overdraft	-	-	-	-	21.00	IVR A3+

**Outstanding as on March 06, 2025.*

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Stone-Sapphire-31mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/ Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at https://www.infomerics.com.