

Orvi Design Studio: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	3.25	SMERA BB-/Stable (Assigned)
Export Packing Credit	0.75	SMERA A4+ (Assigned)
FDBP/FUDBP/AFDBC	1.85	SMERA A4+ (Assigned)

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.3.25 crore bank facility and short-term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.2.60 crore bank facilities of Orvi Design Studio (ODS). The outlook is '**Stable**'.

The ratings draw support from the experienced management and moderate financial risk profile marked by comfortable gearing and moderate interest coverage. However, the ratings are constrained by the small scale of operations and susceptibility of margins to volatility in raw material prices of stone and clay. The ratings also factor in the intense competition in the tiles industry. SMERA also notes that the firm has significantly high debtors.

ODS was incorporated in 2011. The promoters Mr. Sanjeev Agarwal, Mr. Pawan Khandelwal and Mrs. Sheela Agarwal have more than a decades experience in the aforesaid line of business.

The gearing (debt-to-equity) has been comfortable at 0.82 times as on March 31, 2016 against 0.64 times in FY2014-15. The interest coverage ratio stood at 2.15 times in FY2015-16 against 1.96 times in FY2014-15. The firm registered PAT margin of 3.47 per cent in FY2015-16 as against 7.99 per cent in FY2014-15. The firm has moderate liquidity profile (bank limit utilisation of packing credit limit is 75 per cent).

ODS has low revenues of Rs.7.56 crore in FY2015-16 as compared to Rs.5.12 crore in FY2014-15. The firm operates in an intensely competitive segment of the tiles industry.

Outlook: Stable

SMERA believes that ODS will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the firm registers substantial growth in revenues and profitability while maintaining its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Improving working capital cycle

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

The Jaipur-based ODS was incorporated in as a partnership firm by Mr. Sanjeev Agarwal, Mr. Pawan Khandelwal and Mrs. Sheela Agarwal. The firm is engaged in the manufacture and export of mosaic tiles, wall ledger and handcrafted stone articles for flooring and walls.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.26 crore on operating income of Rs.7.56 crore, as compared with profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.5.12 crore in FY2014-15. The net worth stood at Rs.5.80 crore (includes quasi equity of Rs. 2.40 crore) as on March 31, 2016 against Rs.5.29 crore (includes quasi equity of Rs.1.93 crore) a year earlier.

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ABOUT SMERA

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