

Press Release

Cozy Furnitek Private Limited

07 September, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.5.00 Cr
Long Term Rating	SMERA B/Outlook: Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (**read as SMERA B**) on the Rs. 5.00 crore bank facilities of Cozy Furnitek Private Limited. The outlook is '**Stable**'

Cozy Furnitek Private Limited (CFPL) is a Mumbai-based interior designing company that provides turnkey solutions for commercial establishments and offices. The company was promoted by Mr. Vivek Tarneja and Mr. Mehul Vasant.

Key Rating Drivers

Strengths

- Established track record of operations, experienced management**

CFPL incorporated in 1998 is a Mumbai-based interior designing firm that provides turnkey solutions for office interiors. The promoters have more than two decades of experience in the said line of business. Further, the company is also supported by an experienced second level management. CFPL has been able to establish healthy relations with customers and suppliers.

- Healthy operating profitability**

The operating margin stood at 29.60 percent for FY2017 (Provisional) as against operating margin of 13.70 percent for FY2016. Erstwhile the profitability was susceptible to fluctuations in forex rates owing to import of furniture from China. However, the company has decided to focus on a new product range (wooden flooring and window design). As a result the margins are expected to remain healthy, as entire material required will be sourced locally. Hence, risks associated with currency fluctuations are mitigated to an extent.

- Reputed clientele**

CFPL caters to reputed customers including Reliance Industries Ltd, Reliance Corporate IT Park Limited, Malabar Hill Club Limited and Mahindra life Space Developers.

Weaknesses

- Small scale of operations**

CFPL has operating income of Rs.5.03 crore for FY2016 as against Rs.3.17 crore for FY2015 and Rs.3.17 crore for FY2014. However, the revenue declined to Rs.2.46 crore (Provisional) for FY2017 owing to fall in demand from end users.

- Average financial risk profile**

CFPL has average financial risk profile marked by gearing (debt-to-equity) of 1.56 times as on 31 March, 2017 (Provisional) against 1.44 times as on 31 March, 2016. However, the total debt mainly includes working capital borrowing and unsecured loan raised through promoters. The ICR (Interest

coverage ratio) stood at 1.21 times for FY2017 (Provisional) and FY2016. Further, the tangible net worth stood at Rs.3.91 crore as on 31 March, 2017 (Provisional).

• Working capital intensive operations and stretched liquidity

CFPL has working capital intensive operations marked by GCA days of 1889 for FY2017 against 710 days for FY2016. The GCA days stood high mainly on account of higher stock of furniture, inventory stored; marked by inventory days of 1574 days for FY2017 against 530 days for FY2016. Further, average utilisation of working capital borrowing stood at ~100.00 percent for the last six months from January 2017 till June 2017.

• Intense competition

CFPL operates in a highly competitive industry marked by several organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of CFPL.

Outlook: Stable

SMERA believes that CFPL will maintain a stable outlook and benefit from its promoters' extensive experience. The outlook may be revised to 'Positive' in case the company registers improvement in revenue and profitability and effectively manages its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and increase in revenue growth or further deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, the company reported net profit of Rs.0.06 crore on operating income of Rs.2.46 crore compared with net profit of Rs.0.05 crore on operating income of Rs.5.03 crore in FY2015-16. The net worth stood at Rs.3.91 crore as on 31 March, 2016 as against Rs.3.86 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria:

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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