

Press Release

Cozy Furnitek Private Limited

November 01, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the CFPL to arrive at this rating.

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 18.30 per cent for FY2018 as against operating margin of 32.48 percent for FY2017. 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.4.61 crore for FY2018 as against Rs.2.45 crore for FY2017 and Rs.5.03 crore for FY2016. However, the revenue increased to Rs.4.61 crore for FY2018 owing to the handing over of the projects from the developers as the construction work had slowed down due to demonetisation.

- **Average financial risk profile**

CFPL has average financial risk profile marked by gearing (debt-to-equity) of 1.39 times as on 31 March, 2018 as against 1.56 times as on 31 March, 2017. However, the total debt mainly includes working capital borrowing and unsecured loan raised through promoters. The Interest coverage ratio (ICR) stood at 1.46 times for FY2018 as against 1.16 times FY2017. Further, the tangible networth stood

at Rs.4.07 crore as on 31 March, 2018.

• Working capital intensive operations

CFPL has working capital intensive operations marked by Gross Current Asset (GCA) days of 837 for FY2018 as against 1763 days for FY2017. The GCA days stood high mainly on account of higher stock of furniture, inventory stored; marked by inventory days of 789 days for FY2018 against 1646 days for FY2017. Debtor days stood at 70 days in FY2018 as against 328 days in FY2017.

• Intense competition

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

Outlook: Stable

Acuite believes that CFPL will maintain a stable outlook and benefit from its promoters' extensive experience. The outlook may be revised to 'Positive' in case of significant improvement in revenues, sustains the profitability and improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration in the financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.61	2.45	5.03
EBITDA	Rs. Cr.	0.84	0.79	0.69
PAT	Rs. Cr.	0.16	0.05	0.05
EBITDA Margin	(%)	18.30	32.48	13.70
PAT Margin	(%)	3.58	1.86	0.91
ROCE	(%)	8.41	7.88	13.78
Total Debt/Tangible Net Worth	Times	1.39	1.56	1.41
PBDIT/Interest	Times	1.46	1.16	1.21
Total Debt/PBDIT	Times	6.55	7.63	7.88
Gross Current Assets (Days)	Days	837	1763	674

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2017	Cash Credit	Long Term	INR 5	ACUITE B / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable
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**Sublimit of LC cum Bank Guarantee to the tune of Rs.1.00 cr*

Contacts

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About Acuité Ratings & Research:

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