

Press Release

Impression Furniture Industries

D-U-N-S® Number: 87-154-1329



December 31, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 7.50 crore bank facilities of IMPRESSION FURNITURE INDUSTRIES (IFI). The outlook is '**Stable**'.

Impression Furniture Industries (IFI) was established in 1996 as a proprietorship concern, engaged in trading of furniture products. Later, in 2007, the constitution was changed to partnership firm, with partners being Mr. Rakesh Sukhranani, Mrs. Seema Sukhranani and Mr. Chetan Sukhranani. The firm is now engaged in manufacturing of wooden and steel furniture for offices, educational institutes and hospitals.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of IFI to arrive at the rating.

Key Rating Drivers

Strengths

• Experience management

IFI commenced its manufacturing operations from 2007. Earlier, the firm was engaged in trading of furniture products for over two decades. The partners of IFI are Mr. Rakesh Sukhranani, Mrs. Seema Sukhranani and Mr. Chetan Sukhranani who possess experience of over two decades in furniture industry. The extensive experience has enabled the firm to forge healthy relationships with customers and suppliers. Acuité believes that IFI will continue to benefit from its experienced management and established relationships with customers.

• Healthy scale of operations

The firm has reported significant revenue growth with compounded annual growth rate (CAGR) of around 52 percent for last three years ended FY2018. The firm reported significant revenue growth of ~118 percent in FY2018 over FY2017 with operating income of Rs.70.19 crore in FY2018 as against operating income of Rs.32.15 crore in FY2017. The growth in revenue is majorly supported by continuous orders from educational institutes. The operating margins of the firm stood at 8.78 percent in FY2018 from 9.00 percent in FY2017.

• Comfortable financial risk profile

The financial risk profile of the firm is comfortable marked by moderate net worth and comfortable gearing, debt protection measures and coverage indicators. The net worth of the firm stood at Rs.11.10 crore as on 31 March, 2018 as against Rs.6.41 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.77 times as on March 31, 2018 as against 0.88 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 1.11 times as on 31 March, 2018 as against 1.86 times as on 31 March, 2017. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) improved to 5.39 times in FY2018 from 4.25 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.59 times as on 31 March, 2018 as against 0.40 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 5.39 times in FY2018 as against 4.25 times in FY2017. Acuité believes the financial risk profile of the firm to remain comfortable in near to

medium term backed by moderate net cash accruals and in absence of any major debt funded capex.

Weaknesses

- **Moderate working capital operations**

IFI has moderate working capital operations marked by Gross Current Assets (GCA) of 100 days in FY2018 as against 186 days in FY2017. The inventory and debtor levels stood comfortable at 12 days and 59 days in FY2018 as against 49 days and 99 days in FY2017, respectively. However, the bank limit has been fully utilised at an average for last six months ending 30th November, 2018.

Outlook: Stable

Acuité believes that IFI will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in IFI's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.19	32.15	20.26
EBITDA	Rs. Cr.	6.16	2.89	1.78
PAT	Rs. Cr.	4.74	2.04	0.97
EBITDA Margin (%)	(%)	8.78	9.00	8.77
PAT Margin (%)	(%)	6.75	6.33	4.80
ROCE (%)	(%)	37.18	24.79	32.58
Total Debt/Tangible Net Worth	Times	0.77	0.88	1.21
PBDIT/Interest	Times	5.39	4.25	2.78
Total Debt/PBDIT	Times	1.38	1.92	3.03
Gross Current Assets (Days)	Days	100	186	260

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+

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About Acuité Ratings & Research:

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