

Press Release

Shekhawati Art Exports

April 24, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) on the Rs. 9.00 crore bank facilities of Shekhawati Art Exports. The outlook is '**Stable**'.

Jodhpur-based, Shekhawati Art Exports was established in 2003 by Mr. Vinod Kumar and later Mr. Lalit Kumar Johari joined the firm in 2006. The firm is engaged in the business of manufacturing wooden furniture with installed capacity of 8000 pieces per annum. Further SAE is into 100 percent exports to countries like US, Italy, Spain to name a few. In addition to the furniture manufacturing business Shekhawati Art Exports is in the trading business of Guar and Churi seeds and it has also set up a wind mill in Gujarat in the year 2015 with the installed capacity of 2.1 M.W.

Analytical Approach

ACUITE has considered the standalone business and financial risk profile of Shekhawati Art Exports to arrive at the rating

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Shekhawati Art Exports was established in 2003, thus the firm has an operational track record of around 16 years in furniture industry. Mr. Vinod Kumar Johari has been associated with the firm since inception and has had prior experience in the same industry. The second generation of Johari family, Mr. Lalit Kumar Johari has an experience of over 10 years in the same line of business.

- **Above Average financial risk profile**

The financial risk profile of the firm remained above average marked by above average net worth, debt protection metrics and coverage indicators. The net worth of Shekhawati Art Exports stood at Rs.15.61 crore as on 31 March 2018 as against Rs. 12.71 crore as on 31 March 2017. The gearing (debt- equity) stood at 0.59 times as on 31 March 2018 as against 1.17 times as on 31 March 2017. The total debt of Rs. 9.23 crore as on 31 March 2018 mainly comprises Rs. 7.21 crore of secured loan and Rs. 2.02 crore of unsecured loans. The coverage indicators are above average marked by Interest Coverage Ratio (ICR) which stood at 3.46 times for FY2018 as against 4.29 times for FY2017. Acuité believes that the financial risk profile of the firm is expected to remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Foreign Exchange Exposure**

Shekhawati Art Exports generates a large portion of its revenues by exporting its furniture products overseas thus the business is vulnerable to exchange rate fluctuations and fragile macroeconomic stability. The firm hedges its exposure by keeping a margin in transactions and making forward contracts

- **Working capital intensive operations**

The firm's working capital operations are intensive marked by Gross Current Assets (GCA) of 197 days for FY2018 as against 195 days in the previous year. Creditors stood high at 286 days for FY2018 as against 329 days for FY2017.

Liquidity position

Shekhawati Art Exports has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 2.65 Crore for FY2018 while its maturing debt obligations were Rs. 1.02 Crore for the same period. The firm's working capital operations are intensive marked by gross current asset (GCA) days of 197 days for FY2018. The firm maintains cash and bank balances of Rs. 0.23 Crore as on 31 March 2018. The current ratio stands at 0.94 times as on 31 March 2018. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that Shekhawati Art Exports will maintain a 'Stable' outlook over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected growth in its revenues while maintaining its profitability margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or advances leading to deterioration of its financial risk profile and liquidity

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.97	20.32	15.67
EBITDA	Rs. Cr.	2.41	6.92	8.72
PAT	Rs. Cr.	1.12	3.22	7.11
EBITDA Margin	(%)	17.26	34.05	55.67
PAT Margin	(%)	8.01	15.86	45.39
ROCE	(%)	8.77	17.75	61.50
Total Debt/Tangible Net Worth	Times	0.59	1.17	1.17
PBDIT/Interest	Times	3.46	4.29	22.43
Total Debt/PBDIT	Times	2.41	2.09	1.56
Gross Current Assets (Days)	Days	197	195	376

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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 (Up to 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
Term loans	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB / Stable

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About Acuité Ratings & Research:

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