

## Press Release

### Natraj Home Furnishings Private Limited

March 23, 2020



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.15.00 Cr.
<b>Long Term Rating</b>	ACUITE B+/ Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and the short-term rating of '**ACUITE A4** (**read as ACUITE A four**) to the Rs.15.00 crore bank facilities of NATRAJ HOME FURNISHINGS PRIVATE LIMITED (NHFPL). The outlook is '**Stable**'.

Haryana based, Natraj Home Furnishings Private Limited was incorporated in 2004. The company is engaged in the manufacturing and exports of curtains, bed linen, cushions, tablecloths and runners etc. The company has 3 plants; two of which are located in Kundli and one is located in Barhi in Haryana. NHFPL generates 100 percent of its revenue from exports. The company exports mainly to countries such as USA, Spain, and France to name a few.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

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

NHFPL was incorporated in 2004. The directors of the company are Mr. Deepak Wadhwani, Mr. Kapil Wadhwani and Mr. Dhruv Arora who have an experience of over two decades in the said line of business. The experience of management has helped the company to develop healthy relationships with customers and suppliers.

Acuité believes that the company will continue to benefit from the promoters established presence in the industry and its improving business risk profile over the medium term.

#### Weaknesses

- **Average financial risk profile**

NHFPL has average financial risk profile marked by high gearing and average debt protection metrics. The net worth stood at Rs.4.35 crore as on 31 March, 2019 as against Rs.3.39 crore as on 31 March 2018. The company has followed an aggressive financial policy in the past, the same is reflected through its peak gearing levels of 5.87 times as on March 31, 2018. The gearing improved to 5.06 times as on March 31, 2019. Further, the interest coverage ratio stood at 1.68 times for FY2019 as compared to 2.03 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 9.50 times as on 31 March, 2019 as against 10.16 times as on 31 March, 2018.

Acuité believes that financial risk profile of the company is likely to remain average over the medium term, on account of high gearing and average debt protection metrics.

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 155 days in FY2019 as against 154 days in FY2018. GCA days remained high due to high inventory holding period of 97 days in FY2019 as compared to 110 days in FY2018, and increased debtors collection period as reflected by 46 days in FY2019 compared to 21 days in FY2018.

Acuité believes that the working capital requirements will continue to remain intensive over the

medium term on account of the high inventory holding period.

**• Competitive and fragmented nature of industry**

NHFPL operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. However, the risk is mitigated to an extent due to established track record of operations.

**Liquidity position: Adequate**

NHFPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.69 crore for FY2019 with debt repayment obligation of Rs. 0.14 crore for the same period. The cash accruals of NHFPL are estimated to remain in the range of around Rs. 1.56 crore to Rs.2.22 crore during 2020-22 against debt repayment obligations in the estimated range of around Rs.0.44-Rs.0.68 crore per year in the same period. The company's working capital operations are intensive marked by 155 gross current asset (GCA) days for FY2019. The average bank limit utilization for the last six months ended February 2020 remained ~99.51 percent. The company maintains unencumbered cash and bank balances of Rs. 0.10 crore as on 31 March 2019. The current ratio stood at 1.03 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

**Rating Sensitivities:**

- Substantial improvement in debt protection metrics
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

**Material Covenants**

None

**Outlook: Stable**

Acuité believes that NHFPL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	61.93	49.09
PAT	Rs. Cr.	0.95	0.85
PAT Margin	(%)	1.54	1.74
Total Debt/Tangible Net Worth	Times	2.23	1.41
PBDIT/Interest	Times	1.68	2.03

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

CRISIL, vide its press release dated September 17, 2019 had denoted the rating of Natraj Home Furnishings Private Limited as 'CRISIL B+/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, stood at 'CRISIL B+/Stable/CRISIL A4' vide its press release dated June 12, 2018.

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE B+/ Stable
FDB/FBE	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE B+/ Stable

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### About Acuité Ratings & Research:

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