



**Press Release**  
**FRONTIER FURNITURE**  
**June 13, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.50	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	5.50	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.5.50 crore bank facilities of Frontier Furniture (FF). The outlook is '**Stable**'.

**Rationale for Reaffirmation**

The rating reaffirmation is on account of stable operating and financial performance of FF, marked by improved operating income, and moderate financial risk profile. The revenue of the firm is estimated to be at Rs.30.89 crore for FY2023E against Rs.23.78 crore for FY2022. The financial risk profile continues to remain moderate marked by modest net-worth, low gearing and moderate debt protection metrics. The rating reaffirmation also draws comfort from the Firm's established track record of operations, experienced management, and reputed clientele. However, presence in a competitive industry, intensive nature of working capital operations continues to constrain the rating.

**About the Company**

Mumbai-based Frontier Furniture (FF) was established in 2004 as a proprietorship firm by Mr. Yuvraj Singh. FF is a design and build turnkey interior firm providing interior designing solutions to many reputed companies predominantly in the BFSI sector. The firm caters to many reputed customers like Standard Chartered Bank, HDFC bank and RBL bank to name a few.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Experienced management and established track record of operations**

The firm is promoted by Mr. Yuvraj Singh who is the sole proprietor with over two decades of experience. The top management of the firm is backed by an equally qualified second line of management. The vast experience of the promotor along with long track record of operations of the firm of over 19 years has led to increasing scale of operations of the firm. Acuite believes that the firm will benefit from the rich experience of the promoters in the medium term.

**Moderate Financial risk profile**

The financial risk profile of the firm stood moderate marked by modest net worth, low gearing

and moderate debt protection metrics. The tangible net worth stood at Rs.3.86 crore as on March 31, 2023E against Rs.3.81 crore as on March 31, 2022 and Rs.2.79 crore as on March 31, 2021. The total debt of the firm stood at Rs.3.59 crore which includes Rs.0.16 crore of long-term

debt, and Rs.3.43 crore of short-term debt as on March 31, 2023E. The gearing (debt-equity) stood at 0.93 times as on March 31, 2023E as compared to 0.55 times as on March 31, 2022, and 0.88 times as on March 31, 2021. The deterioration in gearing is due to higher short-term debt outstanding at the year end. Interest Coverage Ratio stood at 7.68 times for FY2023E as against 7.02 times for FY2022 and 4.77 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 3.88 times for FY2023E as against 3.55 times for FY2022 and 2.63 times for FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.70 times as on March 31, 2023E as against 1.59 times on March 31, 2022 and 1.77 times as on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.31 times for FY2023E as against 0.49 times for FY2022 against 0.10 times for FY2021.

Acuite believes that the financial risk profile of the firm will continue to remain moderate over the medium.

## **Weaknesses**

### **Intensive nature of working capital operations**

The working capital management of the firm is intensive with by GCA days of 119 days in FY2023E as against 134 days in FY2022 and 187 days in FY2021. The inventory days stood at 25 days in FY2023E as against 43 days in FY2022 and at 37 days in FY2021. The debtor days stood at 34 days in FY2023E as against 40 days in FY2022 and at 72 days in FY2021. The average bank limit utilisation stood moderate at approximately 79% for the last seven months ending FY2023. Acuite believes that efficient working capital management will be crucial to maintain adequate liquidity profile.

### **Competitive industry**

The firm operates in an industry marked by many organized and unorganized players, therefore leading to intense competition amongst each other. Further, the business has the inherent risk of quotation/tender based operations; however, the risk is mitigated to some extent due to the experience of the promoter.

## **Rating Sensitivities**

- Improvement in the scale of operations and profitability margins.
- Elongation in working capital operations leading to deterioration in the financial risk and liquidity profile.

## **Material covenants**

None.

## **Liquidity Position**

### **Adequate**

The firm has adequate liquidity marked by sufficient net cash accrual as against maturing debt obligation. The firm generated moderate cash accruals of Rs.0.24-1.13 crore during the last three years through FY2020-23E, as against maturing debt obligation of Rs.0.12 crore during each year. The firm's working capital operation stood intensive marked by GCA days of 119 days in FY2023E as against 134 days in FY2022. The current ratio of the firm stood at 1.55 times as on March 31, 2023E. The average bank limit utilization stood high at approx. 79 percent for the last 7 months ended March 2023.

## **Outlook:Stable**

Acuite believes that FF will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability while improving its financial risk profile and maintaining adequate liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant

elongation in the working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	23.78	14.63
PAT	Rs. Cr.	0.98	0.20
PAT Margin	(%)	4.13	1.39
Total Debt/Tangible Net Worth	Times	0.55	0.88
PBDIT/Interest	Times	7.02	4.77

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Mar 2022	Secured Overdraft	Long Term	3.50	ACUITE BB   Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BB   Stable (Reaffirmed)
31 Dec 2020	Secured Overdraft	Long Term	3.50	ACUITE BB   Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB   Stable   Reaffirmed
RBL Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

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