

4<sup>th</sup> August, 2023.

To,  
The Manager – Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No. C/1, G Block,  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051.

**Reference: - Omfurn India Limited.**  
**NSE Code: OMFURN.**  
**ISIN: INE338Y01016**

Dear Sir(s),

**Sub: Intimation of Revision in Credit Rating.**

This is with reference to intimation under Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations'), we wish you to inform that Care Ratings Limited has granted the credit rating for the credit facilities availed by the Company for the Long term Facilities to CARE BB+; STABLE and for Short Term Facilities to CARE A4+. A copy of the said revision in the rating is enclosed for your ready reference.

Kindly take the same on record and acknowledge the receipt.

**For Omfurn India Limited**

MAHENDRA Digitally signed by  
CHITBAHAL MAHENDRA  
VISHWAKAR CHITBAHAL  
MA VISHWAKARMA  
Date: 2023.08.04  
13:49:39 +05'30'

**Mahendra C Vishwakarma**  
**Whole Time Director**  
**DIN: 00096586**

Encl: As Above

**Press Release**  
**Omfurn India Limited**

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.44 (Reduced from 15.79)	CARE BB+; Stable	Revised from CARE BB; Stable
Short Term Bank Facilities	21.50 (Enhanced from 15.50)	CARE A4+	Revised from CARE A4

*Details of instruments/facilities in Annexure-1*

**Rationale and key rating drivers**

The revision in the ratings assigned to the bank facilities of Omfurn India Limited (OIL) takes into consideration the growth in revenue and profitability leading to improved cash accruals along with reduced operating cycle.

The rating, however, continues to be tempered owing to small scale of operation albeit growth, working capital intensive nature of operations, stretched liquidity position, susceptibility of profit margins to volatility in the raw material prices and foreign exchange fluctuation risk along with having presence in highly competitive, cyclical & fragmented industry.

The ratings, however, continue to derive strength from long track record of operations, highly experienced promoters, established relationship with reputed clientele coupled with healthy order book position, comfortable capital structure and debt coverage indicators along with improvement in profitability.

**Rating sensitivities: Factors likely to lead to rating actions**

**Positive factors**

- Increase in the scale of operations with a total operating income exceeding Rs. 150.00 crore on a sustained basis
- Improvement in profit margins with PBILDT and PAT margin exceeding 13.00% and 8.00% respectively on a sustained basis
- Improvement in the collection and inventory holding period below 70 days and 80 days respectively on a sustained basis.
- Improvement in the average utilization of the working capital limits reaching below 80% on a sustained basis.

**Negative factors**

- Lower than envisaged turnover and profitability margins leading to significant deterioration in cash accruals
- Delay in despatch of orders leading to inability to achieve envisaged revenue.
- Deterioration in interest coverage ratio falling below unity posing threat to OIL's financial health and debt repayments
- Overall gearing ratio to deteriorate above 2.00 times on a sustained basis

**Analytical approach:** Standalone

**Outlook:** Stable

Stable outlook reflects that the rated entity is likely to achieve the sales and profitability given the satisfactory order book position and which would help to maintain the envisaged operating performance over the near to medium term.

**Key weaknesses**

**Small scale of operations**

The company has registered growth of 127.57% in its total income in FY23 as compared to FY22 wherein the total income stood at Rs. 70.25 crore in FY23 vis-à-vis Rs. 30.87 crore in FY22, which thereby reflects the company's growing scale of operations. The improvement in TOI in FY23 can be attributed to venturing of OIL into modular kitchen segment along with doors, wardrobes and vanity counters, which has boosted revenues of OIL. However, despite the improvement the scale of operations remained small.

**Working capital intensive nature of operations; however operating cycle shortened in FY23**

The operating cycle remained stretched at 131 days in FY23 vis-à-vis 258 days in FY22 mainly on account of funds utilized towards inventory and debtors. However, the operating cycle improved in FY23 owing to faster recovery of debtors given the conscious efforts of the company to reduce the collection period leading to reduction in collection period from 131 days in FY22 to 83 days in FY23.

The company has to maintain adequate inventory of raw material and work-in-progress which needs to be processed for timely execution of the orders received from its customers. However, the inventory holding has also reduced substantially from 210 days in FY22 to 100 days in FY23 owing to faster off-take of inventory. OIL receives moderate credit period up to 90 days from

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its suppliers. The creditors period improved and stood at 52 days in FY23 vis-à-vis 82 days in FY22. Given, the above, the operating cycle of the company although improved, remained stretched at 131 days in FY23 vis-à-vis 258 days in FY22. On account of the stretched operating cycle, the average utilization of the cash credit facility for past 12 months ending June 2023 remained at 75%. Any further significant deterioration is a key rating monitorable.

#### **Profit margins susceptible to raw material prices and foreign exchange fluctuation risk**

The raw material cost has been a major contributor to total operating cost thereby making profitability sensitive as the company does not have any long-term contract with suppliers due to which the profitability may hamper due to fluctuation in the prices of raw material viz. hard wood. Further, OIL also remain exposed to foreign exchange fluctuation risk, given ~10% of its raw material is purchased from imports from Germany and Italy. Thus, any adverse impact on the logistics or transportation of goods from Europe owing to the ongoing war between Russia and Ukraine or any adverse impact on the fluctuation in the foreign currency may impact the profitability of the company adversely.

#### **Presence in highly competitive, cyclical & fragmented industry**

OIL operates in a highly competitive & fragmented industry with a large number of small players engaged in providing interior designing services. Moreover, the professional free-lancers in the interior designing field also provide stiff competition to the company. This is evidently reflected in the moderate profit margins and high collection period. Furthermore, the industry is also cyclical in nature since the interior designing work is a one-time activity for most of the customers while setting up of new offices. Besides, the revenues of the company is exposed to the performance of the real estate sector as the major supplies are to various real estate projects.

Thus, the ability of the company to increase the scale of operations and improve profit margins amidst competitive & cyclical scenario would be critical from the credit perspective. Furthermore, OIL faces competition from other companies as well for tenders of contracts.

#### **Key strengths**

##### **Long track record of operations with highly experienced promoters**

OIL possesses long track record of over two decades of operations in manufacturing of modular furniture, doors and frames etc. It is promoted and managed by Mr. Rajendra Chitbahal Vishwakarma who has extensive experience of over three and half decades in same line of business and majorly looks after the overall management of the company. Further, the other directors Mr. Mahendra Chitbahal Vishwakarma and Mr. Narendra Chitbahal Vishwakarma are well-qualified and having extensive experience over three decades in the industry. Moreover, the company is supported by experienced and qualified second line management.

##### **Established relationship with reputed clientele coupled with healthy order book position**

The clientele of OIL comprises various corporate players of repute across various industries viz. hotels, real estate, corporates etc. The customer profile of the company is diversified with the top 5 customers comprising 38.52% of the net sales in FY23 vis-à-vis 54.38% of the net sales in FY22 and the supplier profile also stood diversified with top five suppliers comprising 18.99% in FY23 vis-à-vis 13.37% in FY22. Further, the order book position of OIL stood healthy with total orders of Rs. 95.72 crore as on July 24, 2023.

##### **Comfortable capital structure and moderate debt coverage indicators**

The capital structure of OIL stood comfortable at 0.48x as on March 31, 2023 vis-a-vis 0.74x as on March 31, 2022, wherein the improvement in overall gearing is attributable to reduction in the debt level on account of repayment of term loans and vehicle loans availed from banks and lower dependence on working capital bank borrowings along with increase in the tangible net worth base. Also, funds have been infused by the promoters by way of unsecured loans to the tune of Rs. 0.52 crore in FY23.

The debt coverage indicators marked by total debt to gross cash accruals (GCA) and interest coverage ratio have improved considerably and stood comfortable in FY23. Total debt to gross cash accruals improved and stood at 2.62x as on March 31, 2023 vis-à-vis 8.64x as on March 31, 2022, owing to reduction in debt level along with increase of 150.80% in GCA levels. Further, led by growth in operating profitability, the interest coverage ratio reflected improvement and stood comfortable at 3.50x in FY23.

##### **Liquidity: Stretched**

The liquidity position remained stretched marked by tightly matched accruals to repayment obligations. Its working capital limits remained at 75% during past twelve months ended June 2023. Cash flow from operating activities remained positive at Rs. 5.46 crore in FY23 vis-à-vis negative CFO at Rs. 0.37 crore in FY22. Moreover, the company maintained free cash & bank balance of Rs. 0.66 crore as on March 31, 2023 vis-à-vis Rs. 2.15 crore as on March 31, 2022.

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## Applicable criteria

[Policy on default recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial ratios - Non-Financial Sector](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

## About the company and industry

### Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Plywood Boards/ Laminates

Omfurn India Limited (OIL) was originally incorporated in the year 1997 as a private limited company; subsequently in June 2017, the constitution was changed to Public Limited and in the same year it was also listed on the NSE Emerge Platform. OIL is engaged in manufacturing of furniture and prefinished wooden doors. The company primarily undertakes turnkey projects for corporate offices, hotels, International schools, prefinished wooden doorframes and shutters & Fire-Resistant doors for real estate developers. The product profile includes executive office furniture, international school furniture, modular office furniture, modular kitchen, bedroom furniture, wooden door & frame etc. Further, the company is ISO 9001:2015, ISO 4001:2015, OHSAS 18001:2007 certified. OIL operates through its manufacturing plant located at Umbergaon, Gujarat and its registered office at Mumbai, Maharashtra.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	20.45	30.87	70.25
PBILDT	0.71	1.89	7.21
PAT	-0.93	0.68	3.91
Overall gearing (times)	0.75	0.74	0.48
Interest coverage (times)	0.41	1.37	3.50

A: Audited; Note: 'the above results are latest financial results available'.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE:** Not applicable

**Disclosure of Interest of Managing Director & CEO:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Not Applicable

**Complexity level of various instruments rated for this company:** Annexure-4

**Lender details:** Annexure-5

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**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	8.64	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	February 2027	3.80	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	20.00	CARE A4+
Non-fund-based - ST-Letter of credit	-	-	-	-	1.50	CARE A4+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - ST-Letter of credit	ST	1.50	CARE A4+	-	1)CARE A4 (03-Aug-22)	1)CARE A4 (02-Sep-21)	1)CARE A4+ (24-Aug-20)
2	Fund-based - LT-Cash Credit	LT	8.64	CARE BB+; Stable	-	1)CARE BB; Stable (03-Aug-22)	1)CARE BB; Stable (02-Sep-21)	1)CARE BB+; Stable (24-Aug-20)
3	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4+	-	1)CARE A4 (03-Aug-22)	1)CARE A4 (02-Sep-21)	1)CARE A4+ (24-Aug-20)
4	Fund-based - LT-Term Loan	LT	3.80	CARE BB+; Stable	-	1)CARE BB; Stable (03-Aug-22)	1)CARE BB; Stable (02-Sep-21)	1)CARE BB+; Stable (24-Aug-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

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**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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## Contact us

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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