

Press Release

Furniture Points(FP)

February 20, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund Based Facility -CC	6.50*	IVR B+ / Stable Outlook; (IVR B Plus with Stable Outlook)
2	Short Term Non-Fund Based Facility –LC/BG	2.50**	IVR A4(IVR A Four)
3	Proposed Long Term Fund Based Facility -TL	1.00	IVR B+ / Stable Outlook; (IVR B Plus with Stable Outlook)

*Includes INR 2.55 Crore of proposed limit

**Includes INR 1.70 Crore of proposed limit

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experience of the proprietor, satisfactory order book position and improving gearing ratio. The rating however is constrained by Small scale of operation and Elongated operating cycle.

Key Rating Sensitivities:

- **Upward Factors** -Substantial & sustained improvement in revenue and / or profitability margin leading to overall improvement in debt protection metrics.
- **Downward Factors** - Any decline in revenue and/or profitability margin leading to deterioration in debt protection metrics.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced proprietor

FP was set-up as a proprietorship firm in 1998, by Mr. Prabesh Kumar Singh, who has 20 years of experience in the field of construction contract work. The firm has completed a number of civil contracts for south eastern railways.

Satisfactory order book position

The current order book of the firm stood at Rs.26.06crore which is three times the current revenue of the firm which is Rs.9.64cr. in FY19 and firm's order book comprising of ten projects, mostly from South Eastern Railways.

Improving gearing ratio

The overall gearing ratio marginally improved and stood at around 2.02x in FY19 in comparison with 2.49x in FY18 driven by retention of profit into the business.

Key Rating Weaknesses

Small scale of operation

FP has a small scale of operations in an intensely competitive industry with a total operating income of Rs.9.64crore in FY19 up from Rs.6.35 crore for FY18. The net worth of the firm in FY19 stood at Rs.1.84 crore as against Rs.1.64 crore in FY18.

Elongated operating cycle

The operating cycle of the firm is highly stretched due to its elongated collection period of 90days in FY19 and average inventory is also high at 118days in FY19. This indicates working capital intensive operations where much of the firm's cash is locked up in inventory and with the customers in comparison to payment schedule of 29 days to creditors.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for construction companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The company is earning GCA Rs.0.74crore during FY19 and the same is expected to increase gradually with increase in scale of operation and level of margin, while the long term debt is likely to reduce indicating lower debt servicing obligations. The business is also working capital intensive indicating a stretched liquidity position.

About the firm

Furniture Points (FP), commenced operations as a sole proprietary concern in 1998. It was primarily engaged in the business of wood trading initially. The business eventually moved

from dealing in raw wood to furniture manufacturing. Thereafter, since 2004-05 the company diversified its portfolio and started participating for Railways contracts for construction and maintenance of roads, rails, foot over bridges (FOB), buildings etc., which is now its main business.

Prabesh Kumar Singh is the founder of Furniture Points, FP is located in Bokaro, Jharkhand and almost all contracts come from south eastern railways.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	6.35	9.64
EBITDA	0.82	0.98
PAT	0.25	0.36
Total Debt	4.07	3.72
Tangible Net worth	1.64	1.84
EBIDTA Margin (%)	12.89	10.20
PAT Margin (%)	3.98	3.74
Overall Gearing ratio (x)	2.48	2.02

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: N.A

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Cash Credit (CC)	6.50*	IVR B+ / Stable Outlook	--	--	--
Non Fund Based Facilities	Letter of Credit/Bank Guarantee(LC/BG)	2.50**	IVR A4	--	--	--
Proposed Fund Based Facilities	Long Term Loan	1.00	IVR B+ / Stable Outlook			
	Total	10.00				

*Includes INR 2.55 Crore of proposed limit

**Includes INR 1.70 Crore of proposed limit

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based Facility – (CC)	--	--	--	6.50*	IVR B+ / Stable Outlook
2	Short Term Non-Fund Based Facility –LC/BG	--	--	--	2.50**	IVR A4
3	Proposed Long Term Fund Based Facility –Term Loan	--	--	--	1.00	IVR B+ / Stable Outlook
Total					10.00	

*Includes INR 2.55 Crore of proposed limit

**Includes INR 1.70 Crore of proposed limit