Recliners India Private Limited

March 28,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	11.82	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from **Recliners India Private Limited (RIPL)** to monitor the rating(s) vide e-mail communications/letters dated January 03,2024, March 13,2024, March 14,2024 and March 18,2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Recliners India Private Limited's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by Recliners India Private Limited (RIPL) with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk.
The revision in ratings assigned to the bank facilities of Recliners India Private Limited (RIPL) factors in small scale of operations (although growing) and low profitability level coupled with elongated operating cycle, competition from organized and unorganized players and Subdued demand from end user industries. The ratings, however, continues to draw comfort from experience of promoters and management team coupled with patent rights and established marketing set up, reputed and diversified customer base and moderate capital structure.

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook to the bank facilities of RIPL takes into account likely continuation in moderate capital structure and experience of promoters along with reputed customer base thereby mitigating inherent risk associated with the business, like high working capital requirement.

Detailed description of the key rating drivers:

Key weaknesses

Small Scale of operations (although growing) and low profitability level:

Company's scale of operations continues to remain small and has although grown by 21.06% to Rs 82.37 crores during FY23 (Audited, refers to the period April 01 to March 31) as compared to Rs. 68.04 crores during FY22 (Audited, refers to the period April 01 to March 31) thereby generating cash accruals of Rs 4.57 crores as against Rs. 2.19 crores during FY22. The scale of operations was impacted during FY21 due to COVID related restrictions on Cinema Halls and multiplexes. However, post relaxation in restrictions company has started showing recovery in their operations. Moreover, company has also signed an MOU with overseas buyers and established a dedicated establishment at Mundra Port to cater overseas buyer which is already operational leading to improvement in scale of operations in FY23. The profitability margins of the company continue to remain low with slight improvement during FY23 reflected by PBILDT margin and PAT margin of 9.54% (PY: 8.23%) and 2.36% (PY: 1.11%) respectively. However, due to absolute rise in PBILDT, interest coverage indicator has also been slightly improved marked by interest coverage ratio of 1.86 times during FY23 as compared to 1.34 times in FY22.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Elongated operating cycle:
The operating cycle of the company continues to remain elongated with slight improvement during FY23 at 232 days for FY23 (vis-à-vis 258 days in FY22) owing to high inventory holding. Inventory is generally high as the company is required to maintain stock of different varieties of recliners. Further, disruption in imports from China requires to import larger chunk of raw materials at a time in order to meet the immediate demand of its customers. Owing to which company's inventory level was Rs. 48.85 crores as at March 31,2023, as compared to Rs. 42.29 crores as at March 31,2022, resulting in average inventory holding period of 230 days during FY23 as compared to 251 days during FY22 coupled with slight improvement in average collection period to 46 days in FY23 from 49 days in FY22. The company generally receives credit of 45-60 days from their suppliers. Thus, due to elongated operating cycle company has high reliance on working capital borrowings.

Competition from organized and unorganized players:
The company is engaged in the manufacturing and trading of recliners. This industry is dominated by large, organized players like Godrej and Stanley. The orders from commercial users are received based on the industry relationships and quality of products. Furthermore, to tap the retail market, companies operate through showrooms and have to undertake huge capex to establish the same. Also, the companies are required to continuously spend on the R&D to add the new features to hold its market share and improve the market position. Smaller companies in general are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations.

Subdued demand from end user industries
RIPL is engaged in the manufacturing of recliners that are used by individuals, corporates, cinemas, healthcare, and wellness centres. Major chunk of the revenue for the company is derived from the cinema halls. Operations of cinema halls has been severely impacted during FY21 & FY22 due to restrictions imposed by government to tackle spread of COVID 19. However, post relaxation cinema halls have shown improvement in operations which is still lagging behind from pre COVID level. Moreover, the company has increased its focus on retail sales to maintain its operational performance coupled with new overseas client. However, given the initial stages of diversification into new set of customers, the ability of the company to increase the sales and improve on its profitability is yet to be seen.

Key strengths

Experienced promoters and management
RIPL's operations are managed by Mr Rajinder Bansal (MD) and his two sons Mr Neeraj Bansal and Mr Akhil Bansal. The promoters have overall experience of more than two decades in the furniture industry through their association with RIPL. Prior to RIPL, all of them were associated with IBM as their channel partner for around two decades. Furthermore, the company has well qualified personnel in the second-tier management comprising of management and engineering graduates as well as CAD/CAM (computer-aided design and computer-aided manufacturing) designers, who continuously monitor and improve product as well as process quality.

Patent rights and established marketing set up:
RIPL holds registration of multiple patents for various trademarks and designs of recliners, which help the company to differentiate its products from its competitors and enable it to command certain premium from customers and company regularly invest on research and development. Additionally, company has an established marketing set up consisting of 2 showrooms at Delhi, 1 showroom at Bengaluru and 1 showroom at Mumbai to sell its products. One of the showrooms is located at Kirti Nagar (Delhi), which is one of the largest furniture and home décor market and another one at MG Road (Delhi). Its presence in the market gives it an edge to cater to large retail customer base and it also aids in increasing visibility of the company's products.

Reputed and diversified customer base
RIPL's business risk profile continues to be benefitted from longstanding relationship with numerous reputed customers in different industries. Company's customer base comprises of PVR cinemas, INOX Cinemas, Cinepolis India Private Limited, etc and newly added overseas client. The company has been getting repetitive orders for the last one and half decade from its clients. This long-term and established relationship with its clients is reflective of the company's ability to provide quality products on a consistent basis.

Moderate Capital Structure
The capital structure of the company continues to remain moderate with slight deterioration during FY23 reflected by long term debt to equity ratio and overall gearing ratio of 0.80x and 1.66x respectively as at March 31,2023, as compared to 0.62x and 1.39x respectively as at March 31,2022. The deterioration was mainly on account of higher utilisation of working capital limits on balance sheet date of Rs. 28.79 crores as at March 31,2023, as compared to Rs 23.25 crores as at March 31,2022.

Liquidity: **Stretched**

Stretched liquidity position is characterised by elongated operating cycle of 232 days during FY23 as compared to 258 days during FY22 which has led to higher utilisation of working capital limits. Further, the current ratio stood at a moderate level and has deteriorated to 1.39x as on March 31, 2023, as compared to 1.61x March 31,2022, and since majority of the funds are blocked in inventory quick ratio remains below unit at 0.43x as at March 31,2023, as compared to 0.52x as at March 31,2022.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Available

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

New Delhi-based RIPL was incorporated in 1996 by Mr Rajinder Kumar Bansal and his family members. The company is currently being managed by Mr Rajinder Kumar Bansal and his two sons, Mr Akhil Bansal and Mr Neeraj Bansal. The company is engaged in the manufacturing of recliners for the commercial and residential use at its manufacturing setup in Roorkee (Uttarakhand).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31,2023 (UA)
Total operating income	68.04	82.37	NA
PBILDT	5.60	7.85	NA
PAT	0.76	1.95	NA
Overall gearing (times)	1.39	1.66	NA
Interest coverage (times)	1.34	1.86	NA

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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-Term Loan		-	-	March, 2027	11.82	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit		-	-	-	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	Fund-based - LT-Term Loan	LT	11.82	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (23-Mar-23) 2)CARE BB+; Stable (05-Apr-22)	1)CARE BB+; Negative (06-Apr-21)	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (23-Mar-23) 2)CARE BB+; Stable / CARE A4 (05-Apr-22)	1)CARE BB+; Negative / CARE A4 (06-Apr-21)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash 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 for any clarifications.

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.

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