

Omfurn India Limited (Revised)

July 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of CARE BB+; Stable/ CARE A4+ assigned to the bank facilities of Omfurn India Limited with immediate effect. The above action has been taken at the request of Omfurn India Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Limited. The ratings continue to be tempered owing to small scale of operation albeit growth, working capital intensive nature of operations, 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, comfortable capital structure and debt coverage indicators along with moderate profitability.

Analytical approach: Standalone

Outlook: Stable

OIL is expected to benefit over the medium term given the growth in scale of operations and improvement in the financial risk profile.

Detailed description of the key rating drivers

Key weaknesses

Small scale of operations

The scale of operations through improved in FY24 still remains moderate. The company reported revenue of Rs. 80.29 crore in FY24 vis-à-vis Rs. 70.25 crore in FY23 which reflects an improvement of 14.29% in FY24 over FY23.

Working capital intensive nature of operations

The operating cycle remained stretched at 137 days in FY24 vis-à-vis 134 days in FY23. The inventory period has reduced from 103 days in FY23 to 97 days in FY24 which is an averaging effect of the growth in scale of operation, since the inventory has elongated from Rs. 18.83 crore in FY23 to Rs. 20.28 crore in FY24. The collection period has elongated from 83 days in FY23 to 93 days in FY24 whereas the creditors period remained at 52 days in FY23 and at 53 days in FY24. The working capital cycle remained stretched at 137 days in FY24 vis-à-vis 134 days in FY23 with the average utilization of working capital limits at around 80% to 90% for past twelve months.

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. The company operates at moderate profit margins, however the PBILDT margin deteriorated marginally and stood at 9.17% in FY24 vis-à-vis 10.36% in FY23. Further, the company reported PAT margin of 4.56% in FY24 vis-à-vis 5.56% in FY23. The slight decline in the PBILDT margin can be attributed to the increase in fixed overheads.

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.

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

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.

Comfortable capital structure and moderate debt coverage indicators

The capital structure marked by overall gearing ratio improved and stood at 0.29x as on March 31, 2024 vis-à-vis 0.48x as on March 31, 2023 on account of increase in the tangible net worth from Rs. 25.56 crore as on Mar 31, 2023 to Rs. 52.12 crore as on Mar 31, 2024 given the issue of shares through FPO.

The debt coverage indicators marked by total debt to GCA stood at 3.04x as on Mar 31, 2024 which has deteriorated marginally from 2.62x as on Mar 31, 2023 owing to increase in debt level given the higher utilization of working capital bank borrowings. Interest coverage stood satisfactory at 3.39x in FY24.

Liquidity: Stretched

The liquidity position remained stretched marked by tightly matched accruals to repayment obligations. Its working capital limits remained at 80% to 90% during past twelve months ended June 2024. Cash flow from operating activities remained negative at Rs. 2.61 crore in FY24 vis-à-vis positive at Rs. 5.46 crore in FY23.

Applicable criteria

[Policy on default recognition](#)

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

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

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

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

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, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	30.87	70.25	80.29
PBILDT	1.89	7.28	7.37
PAT	0.68	3.91	3.66
Overall gearing (times)	0.74	0.48	0.29
Interest coverage (times)	1.37	3.53	3.39

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 the 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-Cash Credit	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	Dec 2025	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	-	0.00	Withdrawn

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 2024-2025	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
1	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A4+ (16-July-24)	1)CARE A4+ (03-Aug-23)	1)CARE A4 (03-Aug-22)	1)CARE A4 (02-Sep-21)
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable (16-July-24)	1)CARE BB+; Stable (03-Aug-23)	1)CARE BB; Stable (03-Aug-22)	1)CARE BB; Stable (02-Sep-21)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A4+ (16-July-24)	1)CARE A4+ (03-Aug-23)	1)CARE A4 (03-Aug-22)	1)CARE A4 (02-Sep-21)
4	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB+; Stable (16-July-24)	1)CARE BB+; Stable (03-Aug-23)	1)CARE BB; Stable (03-Aug-22)	1)CARE BB; Stable (02-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of the 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-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 for any clarifications.

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