

## Spacewood Office Solutions Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	18.84 (Enhanced from 18.41)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	9.25	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings to the bank facilities of Spacewood Office Solutions Private Limited (SOSPL) continues to derive strength from experienced promoters, diversified product portfolio, reputed clientele and moderate order book position. The ratings further derive strength from comfortable capital structure, moderate debt coverage indicators and adequate liquidity position.

However, the ratings continue to be constrained by modest scale of operations and moderate profitability that is susceptible to raw material price volatility. The ratings are further constrained by moderate working capital cycle and presence in highly competitive and fragmented industry.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to two of SOSPL's bank facilities with immediate effect, as the company has repaid the term loans in full and there is no amount outstanding under the loan as on date.

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

#### Positive factors

- Improvement in total operating income (TOI) above ₹200 crore and profit before interest, lease rentals, depreciation, and tax (PBILDT) margin more than 10% on a sustained basis.

#### Negative factors

- Deterioration in total debt to gross cash accruals (TD/GCA) above 1.75 times.
- Any un-envisaged debt-funded capital expenditure resulting in deterioration of overall gearing above 0.75x on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that the company will continue to benefit from its experienced promoters and shall sustain its financial risk profile over the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters

The company was established by Nitin Sudame with the founders of Spacewood Furnishers Private Limited (SFPL), Kirit Joshi and Vivek Deshpande. Nitin Sudame (Managing Director) is an engineer by qualification and has more than 3 decades of industry experience. Vivek Deshpande and Kirit Joshi are also engineers by profession and have over 3 decades of industry experience. They are well supported by a team of qualified professionals having experience in the field of designing and execution.

##### Diversified product portfolio

SOSPL operates as a comprehensive solutions provider specializing in office furniture, offering a diverse array of products such as office workstations, executive desks, meeting pods, and soft seating options.

The majority of their offerings are tailored to meet specific customer requirements, including unique items like motion tables, spoofies, Z-line premium desking, and ascent cabin partitions. With a skilled and experienced team of designers and suitable machinery, SOSPL is equipped to fulfil customer expectations effectively.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Well diversified and reputed clientele

SOSPL has a well-diversified and reputed customer base. With over 15 years of operations in the industry, the promoters of SOSPL have developed long-standing and established relationship with its clientele across India, enabling SOSPL to receive repeat orders. SOSPL caters to corporate clients across various cities namely Bangalore, Chennai, Pune, Mumbai among others, engaging in contracts for new office setups or renovation of existing offices.

The company generates revenue through diverse channels such as established dealer networks, e-commerce platforms, and retail outlets. The company also maintains relationships with architects and interior designers to expand their client base. The clientele is well diversified with top 10 customers contributing to ~25-30% of TOI.

### Moderate order book position

SOSPL consistently builds an order book of ~₹20-25 crore which is to be executed over a period of 2-3 months. As on December 31, 2024, SOSPL has an outstanding order book of ₹33.65 crore (as against order book of ₹25.14 crore as on January 31, 2024). The order book is also geographically diversified.

### Comfortable capital structure and moderate debt coverage indicators

With minimal reliance on debt to fund its operations, the capital structure of SOSPL remained comfortable with overall gearing of 0.21x as on March 31, 2024 (PY: 0.20x). In the absence of major debt-funded capex, capital structure is expected to remain comfortable with overall gearing remaining below unity in the medium term.

Debt coverage indicators continued to remain comfortable in FY24 (refers to April 01 to March 31) with TD/GCA and interest coverage of 0.73x and 15.48x respectively (PY: 0.59x and 9.51x respectively).

### Key weaknesses

#### Modest scale of operations

In FY24, SOSPL's TOI moderated by ~5% to ₹158.04 crore (PY: ₹166.59 crore) due to slow-moving orders in Q1FY24 (refers to April 01 to June 30). However, the scale improved in 9MFY25 (refers to April 01 to December 31) with TOI of ₹136.69 crore (₹114.61 crore in 9MFY24). The scale is expected to improve going forward considering the increasing demand for office spaces.

#### Moderate and fluctuating profitability that is susceptible to raw material price volatility

The PBILDT margin of SOSPL have reflected a fluctuating trend over FY20-FY24 depending on the nature of projects undertaken by the company in a particular year and the volatility in raw material prices. Key raw materials like hardboard, plywood, paint, nut and screws are the major cost drivers and the prices of the same are volatile in nature.

In FY24, the PBILDT margin remained stable at 9.95% (PY: 10.05%). However, the profit after tax (PAT) margin improved to 6.67% in FY24 (PY: 5.48%) due to higher non-operating income (industrial promotion subsidy received). Furthermore, SOSPL reported PBILDT margin of 10.56% in 9MFY25. Going forward, the profitability margins are expected to remain at similar levels.

#### Moderate working capital cycle

The operating cycle continues to remain moderate at 75 days in FY24 (PY: 56 days) due to funds being blocked in debtors. The company typically extends a credit period of 80 to 85 days to its customers and receives a credit period of around 90 to 100 days from its suppliers.

Payments are structured on a milestone basis, where typically 30–40% of the project cost is received as an advance payment against bank guarantee (BG) and 5-10% retention BG is provided upon completion of project. The remaining payments are received upon achieving project milestones. Currently, the company meets its working capital requirements through a mix of internal accruals and working capital facilities from banks.

#### High competition and fragmented nature of industry

The industry is characterized by presence of large number of players both in organized and unorganized markets. The fragmented nature leads to intense competition, which impact the profitability margins of the players involved. Additionally, SOSPL continues to face competition from branded furniture manufacturers as well.

#### Liquidity: Adequate

The company's liquidity position remains adequate, characterised by sufficient cushion in accruals of ~₹13-17 crore as against annual repayment obligations of ~₹2-3 crore over FY25-FY27.

Average maximum utilisation of fund-based limits stood low at ~25% for twelve months ended February 28, 2025. The unutilized bank lines are adequate to meet its incremental working capital needs.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Rating of Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Furniture, Home Furnishing

SOSPL was incorporated in 2008 by Nitin Sudame in association with the promoters of Spacewood Group's flagship company, SFPL. The company is engaged in the manufacturing of specialised office furniture and workstations. The company has its manufacturing unit in Nagpur.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	166.59	158.04	136.69
PBILDT	16.74	15.72	14.43
PAT	9.13	10.54	NA
Overall gearing (times)	0.20	0.21	NA
Interest coverage (times)	9.51	15.48	16.03

A: Audited; Prov.: Provisional; NA: Not Available; Note: these are latest available financial results

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

**Any other information:** Not applicable

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

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31-07-2030	10.84	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	6.00	CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	3.25	CARE A3

**Annexure-2: Rating history for 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	Fund-based - LT-Term Loan	LT	10.84	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-24)	-	1)CARE BBB-; Stable (31-Mar-23)	1)CARE BBB-; Stable (07-Mar-22)
2	Fund-based - LT-Cash Credit	LT	8.00	CARE BBB-; Stable	1)CARE BBB-; Stable (03-Apr-24)	-	1)CARE BBB-; Stable (31-Mar-23)	1)CARE BBB-; Stable (07-Mar-22)
3	Non-fund-based - ST-Bank Guarantee	ST	6.00	CARE A3	1)CARE A3 (03-Apr-24)	-	1)CARE A3 (31-Mar-23)	1)CARE A3 (07-Mar-22)
4	Non-fund-based - ST-Letter of credit	ST	3.25	CARE A3	1)CARE A3 (03-Apr-24)	-	1)CARE A3 (31-Mar-23)	1)CARE A3 (07-Mar-22)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable****Annexure-4: Complexity level of 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 complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

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### About us:

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