

Spacewood Furnishers Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	29.88	CARE BBB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	46.50	CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	40.00	CARE A3; ISSUER NOT COOPERATING*	Rating 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 Limited (CARE Ratings) has been seeking information from Spacewood Furnishers Private Limited (SFPL) to monitor the ratings vide e-mail communications dated March 03, 2025, March 10, 2025, March 17, 2025, letter dated March 19, 2025, 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 has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on SFPL's bank facilities will now be denoted as **CARE BBB-; Stable / CARE A3; 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 ratings.

The ratings assigned to the bank facilities of SFPL continue to derive strength from experienced promoters, strong marketing and design team, diversified order book position, reputed clientele and adequate liquidity position.

However, the rating strengths continue to be constrained by moderate scale of operations, moderate and fluctuating profitability with susceptibility to raw material prices, moderately leveraged capital structure and weak debt coverage indicators. The rating is further constrained by working capital intensive nature of operations and presence in a highly competitive industry.

Analytical approach: Consolidated

The approach considers financials of the wholly owned subsidiary, Modern Living Solutions Private Limited (MLSPL) with SFPL. The list of subsidiaries consolidated is given in Annexure-6.

Outlook: Stable

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

Detailed description of key rating drivers:

At the time of last rating on April 03, 2024, the following were the rating strengths and weaknesses [updated for the information available from Registrar of Companies]:

Key strengths

Well-established track record and extensive experience of the promoters in the industry

The promoters, Vivek Deshpande and Kirit Joshi have an experience of more than two decades in the industry. Their experience and strong understanding of market dynamics has enabled SFPL to maintain healthy relations with customers and suppliers and entail repeat orders from them. They are supported by a qualified team of professionals with significant experience in their respective fields.

Strong Marketing & Design Team

SFPL has an established market presence and strong relations with various suppliers, architects and contractors. The company has a central design team comprising 10 designers stationed at its head office, with additional design teams located at various branch offices across India.

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

Diversified order book across product segments

As on January 31, 2024, the company had unexecuted orders of ₹192.04 crore (0.54x of net sales in FY23). These orders are to be executed over a two-year period, with ~22% execution in FY24 (refers to April 01 to March 31) and the remaining 78% in FY25. On an average, the order book contributes to around 30% to TOI of a particular fiscal year while balance revenue is generated from spontaneous works. The orders of the company are well diversified under two main segments namely, Kitchen projects and Door projects. While the company's orders come from various geographic locations, the majority currently originate from Gurgaon, Mumbai, Pune, Bangalore and Noida.

Well diversified and reputed clientele

SFPL has a well-diversified and reputed customer base. The company generates revenue through diverse channels such as e-commerce platforms, established dealer networks, OEMs and retail outlets like Spacewood stores (14 furniture show rooms across geographies managed by its subsidiary company, MLSPL), which contribute to brand visibility. Moreover, the company secures revenue from institutions through special projects via Government tenders. SFPL also has established relationships and tie-ups with reputed builders for their kitchen and doors segment. The revenue from top 5 clients is moderately concentrated at 30-35%.

Key weaknesses

Moderate scale of operations

The scale of operations remained moderate in range of ₹200-380 crore during FY20-24 with a networth base of ₹136.03 crore as on March 31, 2024. In FY24, total operating income (TOI) increased by ~6% to ₹375.56 crore (PY: ₹353.31 crore).

Moderate and fluctuating profitability with susceptibility to volatile raw material prices

The profit before interest, lease rentals, depreciation, and tax (PBILDT) margin of SFPL have reflected a fluctuating trend over FY20-FY24 depending on the nature of projects undertaken by the company each 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. The company insists on including price escalation clauses in its contracts, with majority of its current orders containing such clauses. The PBILDT margin improved significantly to 9.28% in FY24 (PY: 5.59%) owing to lower cost of raw material consumed. The profit after tax (PAT) margin stood at 14.06% in FY24 (PY: 6.12%) owing to insurance claim received of ~₹50 crore.

Moderate capital structure and weak debt coverage indicators

As on March 31, 2024, the capital structure improved with overall gearing of 0.27x (PY: 1.12x) owing to accretion of profit to reserves and lower utilization of working capital limits as on balance sheet date.

Debt coverage indicators also improved with total debt to gross cash accruals (TD/GCA) and interest coverage of 0.55x and 4.24x respectively in FY24 (PY: 8.54x and 2.26x respectively).

Working capital intensive nature of operations

SFPL's operations remained working capital intensive mainly on account of funds being blocked in debtors and inventory. SFPL's operating cycle remained elongated at 81 days in FY24 (PY: 74 days), primarily driven by high collection period of 97 days and long inventory holding period of 75 days. Most of the working capital is blocked in raw material / finished goods inventory as SFPL has to maintain sufficient inventory of around 3 months to ensure uninterrupted production and timely execution of orders. SFPL receives credit period of around 60-100 days from its suppliers and it generally grants around 60-90 days credit to its customers. Also, there are payment retention clauses in government projects which are released after a period of one year, which further stretch the collection period.

Project execution risk

SFPL has purchased a land in Mihan, Nagpur. Previously, the company operated on a rental basis in MIDC due to reduction of operating space at fire affected unit with re-laying out of 3 new factory sheds post fire incident instead of 4 earlier. Considering the future growth prospects, the company decided to shift to owned premises. The primary expenditure of the project will be directed towards construction of the building. The capacity is expected to remain largely unchanged. Existing machinery will be transferred to this site, and if required some new machinery will be added. The total project cost is estimated to be around ₹49 crore. The capex will be funded through a term loan amounting to ₹24 crore, for which application has been filed with Union Bank of India which is under process and the balance through insurance claim proceeds. The project is expected to be completed by FY25.

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, SFPL continues to face competition from branded furniture manufacturers as well. The sector though is not cyclical; it has dependence on real estate sector for sales which is cyclical in nature.

Liquidity: Adequate

The liquidity position continues to remain adequate as marked by sufficient cushion in cash accruals against annual repayment obligations. As on March 31, 2024, free cash and bank balance stood at ₹8.38 crore. CFO stood positive at ~₹20 crore in FY24.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Consolidation](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company and industry

Industry classification

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

SFPL was established in 1986 by Kirit Joshi and Vivek Deshpande. The company is engaged in manufacturing of modular furniture. It offers solutions for modular kitchens, home and office furniture and also various institutional needs. The company has two manufacturing units located in Nagpur. It has over 500 dealers across India and has served over one lakh customers.

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	353.31	375.56
PBILDT	19.77	34.87
PAT	21.64	52.80
Overall gearing (times)	1.12	0.27
Interest coverage (times)	2.26	4.24

A: Audited; Note: these are latest available financial results

Brief Financials (₹ crore) - Standalone	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	339.51	362.89
PBILDT	19.20	33.79
PAT	17.08	52.17
Overall gearing (times)	0.93	0.32
Interest coverage (times)	2.27	4.22

A: Audited; 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-Term Loan		-	-	31-03-2025	29.88	CARE BBB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ST-Cash Credit		-	-	-	46.50	CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	40.00	CARE A3; ISSUER NOT COOPERATING*

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

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/ST-Cash Credit	LT/ST	46.50	CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable / CARE A3 (03-Apr-24)	1)CARE BBB-; Stable / CARE A3 (05-Apr-23)	-	1)CARE BBB-; Stable / CARE A3 (24-Jan-22)
2	Non-fund-based - ST-BG/LC	ST	40.00	CARE A3; ISSUER NOT COOPERATING*	1)CARE A3 (03-Apr-24)	1)CARE A3 (05-Apr-23)	-	1)CARE A3 (24-Jan-22)
3	Fund-based - LT-Term Loan	LT	29.88	CARE BBB-; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable (03-Apr-24)	1)CARE BBB-; Stable (05-Apr-23)	-	1)CARE BBB-; Stable (24-Jan-22)

*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 rated instruments/facilities – Not Applicable**Annexure-4: Complexity level of 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
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Modern Living Solutions Private Limited	Full	Wholly owned subsidiary

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 for clarifications.

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About us:

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Disclaimer:

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