

Artpalace Export Private limited

May 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	70.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The long-term rating assigned to the bank facilities of Artpalace Exports Private Limited (AEPL) is constrained by past instances of overdrawal of working capital limits, geographical and customer concentration risk, foreign exchange fluctuation risk, and fragmented and unorganized nature of the carpet industry. However, these rating weaknesses are partially offset by AEPL's moderate scale of operations, healthy profitability margins and experienced promoters coupled with long track record of operations. The ratings further continue to benefit from the plant location, and comfortable financial risk profile marked by low overall gearing.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in liquidity position with working capital utilization below 80% on a sustained basis.
- Improvement in scale of operations while maintaining the current PBILDT margin on a sustained basis.

Negative factors

- Decline in scale of operations with PBILDT margins below 15% on a sustained basis.
- Deterioration of overall gearing levels to above 2.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the entity will continue to benefit from the experienced promoters and long track record of operations and shall sustain its comfortable financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Past issues of Overutilisation of working capital limit

The company had multiple instances of overdrawing of the OD (Overdraft) limit in the past, due to mismanagement and lack of communication between the banker and company which resulted in high working capital utilization of ~80% for the trailing 12 months ended March 31, 2025.

Geographical and customer concentration risk

AEPL exports all its products, including carpets and druggets, to various recognized retail outlets overseas. However, there is a significant geographical concentration, with over 90% of its exports going to customers based in the USA. This high concentration exposes AEPL to potential adverse changes in US government policies, linking the company's fortunes closely to the overall market demand in that country. Moreover, a substantial portion of AEPL's sales is driven by a few key customers, with the top five customers accounting for nearly 80% of sales in 10MFY25(refers to period from April 01, 2024, to January 31, 2025) and 75% in FY24(refers to period from April 01, 2023 to March 31, 2024). This creates customer concentration risk, where any changes in the procurement policies of these customers could negatively impact AEPL's business. Additionally, US tariffs are a critical factor that could affect the company's total operating income (TOI) and profit margins in the near future.

Foreign exchange fluctuation risk

The company engages in both export and import activities, leading to sales realization and cash outflows in foreign currency. The company exports 100% of its carpets and druggets to countries such as the USA and South Africa. AEPL imports approximately 50% of its raw materials, including viscose yarn and mohair, with imports accounting for 42% in FY24. As an exclusive exporter, AEPL faces risks from fluctuations in the rupee's value against foreign currencies, which can affect its cash accruals. Currently, the company does not have a hedging policy to mitigate these risks. Additionally, changes in government policies, whether domestic or international, can impact the company's revenues. AEPL reported a profit of Rs.0.52 crore in FY24, compared to Rs.1.47 crore in FY23, due to foreign exchange fluctuations.

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

Fragmented and unorganized nature of carpet industry

The Indian carpet industry is characterized by numerous small players and is concentrated in Northern part of India which contributes a significant portion of India's total carpet production. Furthermore, due to low entry barriers due to low technological inputs, less capital intensive and easy availability of standardized machinery for production makes the hand knotted/tufted carpet industry highly lucrative and thus competitive.

Key strengths

Moderate scale of operations with healthy profitability margins

The company's Total Operating Income (TOI) grew at a CAGR (Compounded annual growth rate) of 6%, from Rs 127.50 crores in FY22 to Rs 152.56 crores in FY24. This growth was primarily driven by the addition of high-value carpets and druggets. The production of these high-quality carpets has led to increasing profitability margins over the years. The company's PBILDT and PAT margin improved from 15.48% and 7.93% in FY21 to 23.92% and 14.65% in FY24 respectively largely on account of higher quality of carpet sold which fetched better profitability margins. The company's earnings though remain vulnerable to stringent regulatory policies, including tariff barriers (custom duties), non-tariff barriers (import quantity restrictions), anti-dumping duties, international freight rates, and port charges. The company achieved a TOI of ~Rs 155 crores in FY25.

Experienced promoters coupled with long track record of operations

Artpalace Exports Private Limited (AEPL) is managed by Mr. Mukhtar Ahmad (Director), who has over 30 years of extensive experience in the carpet manufacturing industry. His expertise spans various activities such as weaving, designing, clipping, and dyeing. Mr. Iftekhar Ahmad (Managing Director) is responsible for strengthening relationships with foreign buyers and overseeing the unit's growing production activities. Over the past few years, Mr. Iftekhar has successfully enhanced the company's reputation through client satisfaction, collaboration, and innovative designs. The directors possess a deep understanding of various business aspects, having operated in the carpet industry for more than three decades through Rupesh Kumar & Brothers, established in 1989. This extensive experience has helped them build long-term relationships with both suppliers and customers, which is expected to benefit AEPL in the long run.

Comfortable capital structure and debt coverage indicators

The capital structure of the company stood comfortable as marked by overall gearing which slightly moderated from 0.16x as on March 31,2023 to 0.64x as on March 31,2024 and 0.62x as on January 31,2025 on account of increased working capital limit utilization. The company has not availed any term loan as on date. On account of healthy profitability margins, the debt coverage indicators of the company as marked by interest coverage ratio and total debt to GCA stood comfortable at 15.15x and 2.67x in FY24 respectively.

Favourable location of operations

The manufacturing facility of the company is situated in Bhadohi, Uttar Pradesh which is a well-established manufacturing hub for carpet handloom industry. AEPL derives the comfort from its strategic location in terms of easy accessibility to carpet weavers. Additionally, various raw materials required in manufacturing of carpets are also readily available and lower lead time requirement of purchase of raw materials owing to established suppliers' presence in the same vicinity of the company.

Liquidity: Stretched

The company had multiple instances of overdrawing of the OD (Overdraft) limit in the past, due to mismanagement and lack of communication between the banker and company leading to average utilization of ~80% of working capital borrowings for trailing 12 months ended March 31, 2025. The company is planning to incur capex of ~Rs.100.00 crore pertaining to setting up of new plant (capacity expansion for manufacturing carpets) in Noida which is expected to be complete by FY26. The same will be funded through debt (~50%) and internal accruals (~50%).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Artpalace Exports Private Limited (AEPL) was earlier constituted as a proprietorship concern in 2004 of Mr. Mukhtar Ahmad but in 2008 the constitution was changed as private limited company. The company is engaged in the manufacturing and export of wide variety of handmade carpets & druggets and other floor covering. The company partially manufactures the yarn from wool while a part of yarn used is bought for manufacturing of carpets and druggets. The company's manufacturing unit is located in Bhadohi, Uttar Pradesh with an installed capacity to manufacture 2,44,356 square meters of carpets and druggets per annum as on January 31, 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25*(UA)
Total operating income	140.04	152.56	130.06
PBILDT	30.92	36.49	32.03
PAT	21.89	24.91	21.86
Overall gearing (times)	0.16	0.64	0.62
Interest coverage (times)	43.39	15.15	8.95

A: Audited UA: Unaudited; 10MFY25*: Refers to the period from April 01, 2024, to January 31, 2025; 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-Working Capital Limits		-	-	-	70.00	CARE BB; Stable

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 2025-2026	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
1	Fund-based - LT-Working Capital Limits	LT	70.00	CARE BB; Stable				

LT: Long 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-Working Capital Limits	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 for clarifications.

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