FEBRUARY 22, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED THE BANK FACILITIES OF LATIYAL HANDICRAFTS PRIVATE LIMITED

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Ratings¹</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>11.61</td>
<td>CARE BB (Double B)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Long-term/Short-term Bank Facilities</td>
<td>18</td>
<td>CARE BB/CARE A4 (Double B/ A Four)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>29.61</td>
<td>(Rupees Twenty Nine crore and Sixty One lakh only)</td>
<td></td>
</tr>
</tbody>
</table>

Rating Rationale

The ratings assigned to the bank facilities of Latiyal Handicrafts Private Limited (LHPL) continue to remain constrained on account of its financial risk profile marked by moderate profitability margins, leveraged capital structure and moderate liquidity position. The ratings, further, continue to remain constrained on account of LHPL’s presence in a highly competitive handicrafts industry, geographical concentration risk and vulnerability of profit margin to fluctuation in the raw material price as well as foreign exchange rates.

The ratings, however, favourably take into account the vast experience of the promoters in the handicraft industry, improvement in its scale of operations and large, diversified and potential market for handicraft items. The ability of the company to improve profitability margins with efficient management of working capital and timely completion of envisaged expansion project would remain the key rating sensitivities.

Background

Jodhpur-based (Rajasthan) LHPL was incorporated in the year 2005. It is engaged in the manufacturing and export of wooden handcrafted furniture items like chair, table, cabinet, bed, almira/cupboard, wardrobe and buffet cabinets etc. LHPL is recognised as a certified ‘Star Export House’ by Govt. of India and has also got ISO 9001:2008 certifications. The company is also Forest Stewardship Council (FSC) certified supplier of wooden furniture products.

The promoters initially started their business with trading of wood in 1972. Later in the year 2005, the promoters set up a plant for manufacturing and export of wooden based handcrafted items under a new company - LHPL. The operations of LHPL are focused in the international market with exports being more than 90% of its Total Operating Income (TOI) during last three financial years ended in FY15 (refers to the period April 01 to March 31). LHPL sources its key raw material, wood, from domestic suppliers, apart from its group concern Rajdev Art Palace. The company also purchases semi-finished wooden handicrafts from domestic manufacturers which are polished and then subsequently exported by LHPL. During FY15, LHPL reported a total operating income of Rs.75 crore (FY14: Rs.56.13 crore) with a PAT of Rs.1.78 crore (FY14: Rs.1.50 crore).

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.
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