# Press Release

**Latiyal Handicrafts Private Limited**  
April 04, 2019

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Ratings¹</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>-</td>
<td>-</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>Long-term/Short-term Bank Facilities</td>
<td>18.00</td>
<td>CARE BBB-; Stable /CARE A3 (Triple B Minus; Stable/A Three)</td>
<td>Revised from CARE BB+; Stable/CARE A4+ (Double B Plus; Outlook Stable/A Four Plus)</td>
</tr>
<tr>
<td>Total facilities</td>
<td>18.00</td>
<td></td>
<td>(Rupees Eighteen crore only)</td>
</tr>
</tbody>
</table>

Details of instruments/facilities in Annexure-1

## Detailed Rationale & Key Rating Drivers

The revision in the ratings of Latiyal Handicrafts Private Limited (LHPL) take into account continuous increase in Total Operating Income in last three financial years ended FY18 (FY refers to the period April 01, to March 31) and moderate solvency position.

The ratings, further, continue to derive strength from experience management with long track record of operations, established customer base and large, diversified and potential market for handicraft items. The ratings, further, continue to derive strength from moderate profitability and moderate liquidity position.

These strengths, however, continue to offset to an extent on account of customer concentration risk, its presence in a highly competitive handicrafts industry and vulnerability of profitability margins to fluctuation in the raw material prices as well as foreign exchange rates.

The ability of the company to continuous increase its scale of operations while maintaining/improving profitability margins and efficient management of working capital would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced management with long track record of operations and diversified product profile**

LHPL was promoted by Mr. Radhey Shyam Ranga who has an experience of nearly four decades in the wood and wooden articles industry. The promoters initially started their business in trading of wood in 1972. Later on in the year 2005, the promoters set up a plant for manufacturing and export of wooden based handcrafted items under a new company - LHPL. Further, Radhey Shyam Ranga is supported by his son, Mr Dev Narayan Ranga who has more than two decades of experience in the industry. Further, top management is assisted by second tier management namely Mr. Punit Jain and RC Bissa. Being present in the industry since long period of time, it has established relations with its customers and generates revenue from diversified geographical base. The product portfolio of the company is diversified and products of the company includes wooden based handcrafted furniture items like chair, table, cabinet, bed, almira/cupboard, wardrobe and buffet cabinets etc. It exports its products to USA, European countries Australia, Saudi Arab, UAE and South Africa. Further, in September 2016, it has completed its project for capacity expansion as well as efficient and effective utilization of resources with betterment of its products profile.

**Continuous improvement in scale of operations**

Due to its established track record of operations with established relationship with its customers, Total Operating Income (TOI) of the company has witnessed continuous improvement and grew at a Compounded Annual Growth rate (CAGR) of 14.42% in last three financial years ended FY18 (FY15-FY18). During FY18, TOI of the company has improved by 26.61% over FY17 mainly on account of increase in sales realization owing to completion of its project for betterment of its products as well as higher sales volume owing to increase in production capacity. LHPL has generated 96.72% of net sales from export sales (99% in FY17).

**Moderate profitability margins**

Profitability of the company stood moderate with PBILDT and PAT margin of 14.37% and 6.04% respectively in FY18 as against 14.53% and 6.91% respectively in FY17. During FY18, PBILDT margin remained range bound owing to higher

---

¹Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.
increase in sales realization as against increase in raw material cost offset with an increase in employee cost which constituted around 18% of TOI in FY18 as against 10.94% in FY17. Employee cost has increased mainly due to increase in director’s salary from Rs.6.36 crore in FY17 to Rs.16.20 crore in FY18. PAT margin has declined by 87 bps in FY18 over FY17 mainly on account of increase in depreciation and interest expenses owing to completion of its debt funded project in September 2016.

**Improvement in solvency position**
The capital structure of the company has improved with improvement in overall gearing from 1.11 times as on March 31, 2017 to 0.60 times as on March 31, 2018 mainly on account of considering of unsecured loans of Rs.15.00 crore as quasi capital which are subordinate to bank borrowings as well as accretion of profit to reserve and decrease in total debt of the company. Further, total debt to GCA has also improved from 4.27 times as on March 31, 2017 to 2.43 times as on March 31, 2018 mainly on account of increase in GCA of the company and decline in total debt. However, interest coverage ratio also stood moderate at 4.78 times in FY18, declined from 5.56 times in FY17 due to higher increase in interest expenses as against increase in PBILDT.

**Moderate liquidity position**
The liquidity position of LHPL stood moderate with an operating cycle of 50 days in FY18, marginally improved from 58 days in FY17 mainly on account of decline in inventory period and collection period. Further, average utilisation of its working capital limits remained at 85%-90% during last 12 month period ended February, 2019. Furthermore, the current ratio of the company stood below unity at 0.89 times as on March 31, 2018 declined from 1.05 times as on March 31, 2017 owing to higher increase in current liabilities due to high debt obligations. Cash flow from operating activities has declined from Rs.15.84 crore in FY17 to Rs.3.91 crore in FY18 mainly on account of higher working capital gap due to increase in receivables of the company as on balance sheet date.

**Key Rating Weaknesses**

**Customer concentration risk**
It has generated revenue from its top 5 customers around 45.62% in FY18 as against 42.38% in FY17 and hence, it has customer concentration risk. However, being present in the industry since long period of time, it has established relationship with them and gets repetitive orders from them.

**Competitive and fragmented nature of wooden industry along with foreign exchange fluctuation risk**
LHPL operates in fragmented handicrafts industry which is characterized by presence of large number of small-to-medium sized players with individual entities accounting for a small portion of the overall market. The industry is dominated by unorganized sector on account of low capital requirements as well as low entry barriers. As a result, the competitive pressure in the industry is high which adversely impacts the bargaining power and profitability of all the players in the industry. Due to competitive nature of the industry, LHPL is exposed to the risk of inability to pass on the prices of raw material to its customers. Further, LHPL is exposed to foreign exchange fluctuation risk as the firm derives majority of its revenue from the export sales.

**Analytical approach: Standalone**

**Applicable Criteria**
- Criteria on assigning Outlook to Credit Ratings
- CARE’s Policy on Default Recognition
- Criteria for Short Term Instruments
- Rating Methodology-Manufacturing Companies
- Financial ratios – Non-Financial Sector

**About the Company**
Jodhpur (Rajasthan) based, Latiyal Handicrafts Private Limited (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, almirah/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.

<table>
<thead>
<tr>
<th>Brief Financials (Rs. Crore)</th>
<th>FY17 (A)</th>
<th>FY18 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Income</td>
<td>88.37</td>
<td>111.88</td>
</tr>
<tr>
<td>PBILDT</td>
<td>12.84</td>
<td>16.08</td>
</tr>
<tr>
<td>PAT</td>
<td>6.10</td>
<td>6.76</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>1.11</td>
<td>0.60</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>5.56</td>
<td>4.78</td>
</tr>
</tbody>
</table>

*A: Audited*
Press Release

Status of non-cooperation with previous CRA: None
Any other information: None
Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:
Name: Abhishek Kumar Jain
Tel: 0141-4020213/214
Mobile: 9251265875
Email: Abhishek.jain@careratings.com

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

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer
CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - LT/ ST-EPC/PSC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18.00</td>
<td>CARE BBB; Stable / CARE A3</td>
</tr>
<tr>
<td>Fund-based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>Fund-based - LT-Bank Overdraft</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00</td>
<td>Withdrawn</td>
</tr>
<tr>
<td>Fund-based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.00</td>
<td>Withdrawn</td>
</tr>
</tbody>
</table>
### Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Current Ratings</th>
<th>Type</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Rating Date(s) &amp; Rating(s) assigned in 2018-2019</th>
<th>Date(s) &amp; Rating(s) assigned in 2017-2018</th>
<th>Date(s) &amp; Rating(s) assigned in 2016-2017</th>
<th>Date(s) &amp; Rating(s) assigned in 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Term Loan-Long Term</td>
<td>CARE BBB-; Stable / CARE A3</td>
<td>LT</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1)Withdrawn (22-Feb-16)</td>
</tr>
<tr>
<td>2.</td>
<td>Fund-based - LT/ST-EPC/PSC</td>
<td>18.00</td>
<td>LT/ST</td>
<td>1)CARE BB+; Stable / CARE A3</td>
<td>1)CARE BB+; Stable / CARE A4+ (18-Jan-18)</td>
<td>1)CARE BB; Stable / CARE A4 (20-Mar-17)</td>
<td>1)CARE BB / CARE A4 (22-Feb-16)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Fund-based - LT-Term Loan</td>
<td>CARE BBB-; Stable</td>
<td>LT</td>
<td>-</td>
<td>1)CARE BB+; Stable (18-Jan-18)</td>
<td>1)CARE BB; Stable (20-Mar-17)</td>
<td>1)CARE BB (22-Feb-16)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Fund-based - LT-Bank Overdraft</td>
<td>1)CARE BB+; Stable</td>
<td>LT</td>
<td>-</td>
<td>1)CARE BB+; Stable (18-Jan-18)</td>
<td>1)CARE BB; Stable (20-Mar-17)</td>
<td>1)CARE BB (22-Feb-16)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Fund-based - LT-Term Loan</td>
<td>CARE BBB-; Stable</td>
<td>LT</td>
<td>-</td>
<td>1)CARE BB+; Stable (18-Jan-18)</td>
<td>1)CARE BB; Stable (20-Mar-17)</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
CARE Ratings Limited

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54251
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55, First Floor, Phase 11, Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square Puliyakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square Puliyakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029.
Cell: +91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.) 10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91 98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

PRESS RELEASE

CONTACT
Head Office Mumbai
Ms. Meenal Sikchi
Cell: +9198190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: +9198196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: +9199675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: +9198209 98779
E-mail: saikat.roy@careratings.com

Ms. Priti Agarwal
Cell: +91 98319 67110
E-mail: priti.agarwal@careratings.com

CIN - L67190MH1993PLC071691