

## Sarv India Home Furnishing

	Amount Outstanding	Rating Action
	Rs Crore	July 2016
Long-term Fund-based-CC Limit	2.10	[ICRA]BB- (Stable); Upgraded
Long-term Fund-based-Term Loan	6.50	[ICRA]BB- (Stable); Upgraded
Long-term Unallocated	1.40	[ICRA]BB- (Stable); Upgraded
<b>Total</b>	<b>10.00</b>	

ICRA has upgraded its long-term rating on the Rs. 10.00 crore bank facilities of Sarv India Home Furnishing (SIHF)† to [ICRA]BB- (pronounced ICRA double B minus) from [ICRA]B+ (pronounced ICRA B plus). The outlook on the long-term rating is 'Stable'.

ICRA's rating upgradation takes into consideration the healthy capacity utilisation and operational performance of SIHF in FY2016, despite the first year of its operations and equity infusion of ~Rs. 4 crore which has resulted in better capital structure and debt coverage indicators than estimated levels. The profitability of the company has been higher than the estimated levels, owing to higher sales volume and sales realisation and advances from distributors has kept the working capital intensity under check. ICRA's rating continues to factor in the extensive experience of the partners in the trading of mink blankets and their established relationships with distributors and traders. Further, ICRA takes note of the locational advantage the firm enjoys due to its easy access to polyester yarn and customers, as Panipat is the hub for home textiles.

ICRA's rating is, however, constrained on account of SIHF's limited track record of operations in the intensely competitive textile industry and the seasonal nature of the business, with most of the sales concentrated between July to January. ICRA also takes note of the susceptibility of the firm's profitability to adverse movements in raw material prices (i.e. polyester yarn). The ability to pass on the increase in raw material prices to customers remains to be seen. ICRA also takes note of the partnership nature of the firm which exposes it to risks such as dissolution and withdrawal of capital.

Going forward, the firm's ability to ramp up its scale of operations and improve its margins as well as capacity utilisation along with efficient working capital management will be the key rating sensitivities. Any significant debt-funded capex will be a key monitorable.

### Firm's Profile

SIHF was incorporated in January 2015 and commenced manufacturing of mink blankets in its factory in Panipat, Haryana, from July 2015. The firm's partners include Mr. Sandeep Kumar and Mr. Arvind Kumar, who have been trading in mink blankets for the past three decades.

### Recent results

The firm reported a net profit of Rs. 0.04 crore on operating income of Rs. 29.46 crore in FY2016.

**July 2016**

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†"For complete rating definitions, please refer to the ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications"



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