

Indian Furniture Products Limited

Instruments	Amount (Rs. crore) ¹	Rating Action
Term Loans	22.14 (enhanced from 7.14)	[ICRA]BBB(SO) (Stable) ; reaffirmed
Long term- Fund Based facility	37.82	[ICRA]BBB(SO) (Stable); reaffirmed
Short term – non fund based limits	25.00	[ICRA]A2(SO); reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BBB(SO)² [pronounced ICRA triple B (Structured Obligation)] to the Rs. 22.14 crore (enhanced from Rs. 7.14 crore) long term loans and Rs. 37.82 crore long term fund based limits of Indian Furniture Products Limited (IFPL). The letter SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating of [ICRA]A2(SO) [pronounced ICRA A two (Structured Obligation)] for the Rs. 25.00 crore short term non-fund based bank limits of IFPL.

The ratings primarily reflect the financial strength of the guarantor, Zuari Global Limited (ZGL) which has extended unconditional and irrevocable corporate guarantee to the bank lines of IFPL. ZGL, the flagship entity of the Adventz Group, holds investments in group entities (including IFPL). ZGL's credit profile remains supported by its strong investment portfolio, where the current market values of quoted investments are much higher than book values. However, continued losses in some of the subsidiaries and group companies necessitating funding support in the form of loans and / or guarantees affects ZGL's consolidated financial profile. While ZGL's strong network, favourable capital structure and healthy buffer on the market value of investments (over book values) are a positive, sustained losses at net level remain a concern.

At standalone level, IFPL's financial profile is characterized by net losses during FY2016 on the back of pricing pressure due to competition and revenue loss due to disruption of operations during December 2015 on account of floods in Chennai, weak debt and coverage indicators and negative cash flows. The losses continue to be funded by financial support from the parent entity, ZGL. Going forward, the company expects the revenue growth to be supported by the planned entry into new geographies which coupled with the stable management income from the Joint Venture (Soundarya IFPL Interiors Limited) and cost-cutting measures is aimed at reduction of net losses, materiality of which remains to be seen.

Company Profile

Incorporated in 1996, Indian Furniture Products Limited ("IFPL" or "The Company") is part of the K.K. BIRLA Group of Industries, which has interests in the fields of Fertilisers, Shipping, Textiles, Sugar, Media, Capital Goods, Software, Finance and Power. IFPL, a wholly owned subsidiary Zuari Global Limited (ZGL), manufactures Ready-To-Assemble (RTA) furniture at Kakkalur, near Chennai with an installed capacity to manufacture 160,000 units. The company markets its products through dealers and retail outlets under two brand names viz., "Zuari" and "StyleSpa", which have dominant presence in the organized furniture retail market.

About the Guarantor

Zuari Global Limited (ZGL) is the flagship entity of the Adventz group and represents the non fertiliser arm of the erstwhile Zuari Industries Limited, which underwent a demerger in 2011. ZGL has been the principal promoter entity for the Zuari Group of Companies, with forays into fertilizer, seeds, engineering, lifestyle industries and services. It has a substantial presence in the areas of pesticides, financial services, RTA furniture and Oil tanking through several subsidiaries and joint ventures.

Recent Results

During FY2016, the company reported a net loss of Rs.11.1 crores on an operating income of Rs.113.0 crores as against a reported net loss of Rs.13.6 crore on an operating income of Rs. 134.1 crore.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale please refer to www.icra.in or any publications by ICRA Limited

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