



Rating Rationale

Cosmic Rugs Private Limited

18 Mar 2019

Brickwork Ratings upgrade the long term ratings for the Bank Loan Facilities of ₹ 5.73 Crores of Cosmic Rugs Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2017)	Present
Fund Based Cash Credit Term Loan (O.S)	4.00 2.60	3.90 1.83	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Rating Upgraded
Total	6.60	5.73	INR Five Crores Seventy Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings : Long Term Rating upgraded to BB- for the bank loan facilities of Cosmic Rugs Private Limited.(CRPL)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While upgrading the ratings of Cosmic Rugs Private Limited, the company has Improved its revenues in FY18, and Improvement in Profitability Margins. CRPL engaged in manufacturing and exporting of all kinds of home furnishing products. BWR has essentially relied upon the Company's audited financial results upto FY18, Projected financials upto FY19 and available information and clarification provided by the Company.

The ratings draw strength from the extensive experience of the promoters in the same line of business, Improvement in Operating Profitability Margins Y-O-Y, and Average Conversion Cycle. The ratings, however, factor in High gearing level and current ratio. Going Forward the ability of the firm to improve its scale of operations, improve its current ratio and manage working capital efficiently would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Experienced Promoters and Long track record of business:** The promoters of the company has rich experience of more than 30 years in the same line of business. The Company is engaged in manufacturing of home furnishing products. The company has long track record of business for more than 20 years in the business that helps to maintain a better relation with their customers.
2. **Improvement in Operating Profitability Margins Y-O-Y :** There is a consistent increase in Operating Profitability Margins from 3.75% in FY16 to 7.69% in FY17 and further improves to 9.19% in FY18.
3. **Average Conversion Cycle :** The company has average conversion cycle of 31 days in FY18.

Credit Weakness:

1. **High Gearing Level :** High Gearing has observed with TOL/TNW of 6.14 Times. in FY18 It has improved as compare to previous year 6.91 Times in FY17.
2. **Low current ratio :** The firm has low current ratio of 1.12 Times in FY18 but it has further improves to 1.41 Times in FY19 (Projections).

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Holding/Subsidiary Company:

The Company has no associate concerns or subsidiary concerns.

Liquidity

The Company has Cash & Bank Balances of Rs 0.07 crores in FY18. Current ratio was at 1.12 times in FY18. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 80-90%.The conversion cycle has been 31 days in FY18 due to Average days receivables and high days payables. The Company has current maturities of long term debt of Rs 0.50 crores in FY19 .The Company ISCR at 1.84 times and Debt Service Coverage Ratio of 0.95 Times as on March 31 2018.



Rating Outlook: *Stable*

BWR believes the **Cosmic Rugs Private Limited** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

M/s Cosmic Rugs Private Limited (CRPL) was incorporated in 1996 as a Private Limited Company by Mr Jai Prakash Gulani and its registered office is situated at Panipat Haryana Initially the company was engaged in handloom work until 2013, Later company started manufacturing and exporting of all kinds of home furnishing products. The main products of the company are Polyester Fabrics for Soft toys, Shoe Linings, Bath mats, Bed Sheet, Blankets, Curtains Throws etc. The company has its own manufacturing set up at Panipat. The majority of export is done to USA, U.K and other European Countries.

Company Financial Performance

Total operating income (TOI) of the Company has improved from Rs 16.61 Cr in FY17 to Rs 19.64 Cr. in FY18. PAT has Improved from Rs 0.08 Cr in FY17 to Rs. 0.13 Cr in FY18.

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	19.64	16.61
EBITDA	₹ Cr	1.81	1.28
PAT	₹ Cr	0.13	0.08
Tangible Net worth	₹ Cr	1.75	1.62
TOL:TNW	Times	6.14	6.91
Current Ratio	Times	1.12	0.98

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)				Rating History		
		Type (Long Term/ Short Term)	Previous Amount	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Cash Credit Limit Term Loan (O.S)	Long Term	4.00 2.60	3.90 1.83	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Total			6.60	5.73	Five Crores Seventy Three Lakhs ₹ Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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