Press Release

Chinar Forge Limited

April 17, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	71.05	IVR BB+/ Stable (IVR Double B plus with Stable outlook)	IVR BB+/ Stable (IVR Double B plus with Stable outlook)	Rating reaffirmed	Simple
Short-Term Bank Facility	12.00	IVR A4+ (IVR A four plus)	-	Rating assigned	Simple
Total	**83.05 (INR eighty-three crore and five lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics has reaffirmed the long-term rating and assigned the short-term rating to the bank facilities of Chinar Forge Limited (CFL), which derives comfort from the experience of the promoters coupled with long track record of operations, steady business profile buoyed by increase in the scale of operations and healthy profitability margins. However, these rating strengths are constrained by moderate risk profile, working capital intensive nature of operations, susceptibility of its profitability to adverse fluctuations in prices of raw material, and intense competition from unorganized players.

The long-term rating outlook of Chinar Forge Limited (CFL) is Stable as the company will benefit from the experienced management coupled with healthy profitability margins.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the operating income and/or profitability impacting the cash accrual and debt coverage indicators.
- Deterioration in the capital structure and/ or coverage indicators.
- Elongation in working capital cycle leading to deterioration in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**
  Chinar Forge Limited (CFL) has been engaged in the business of manufacturing carpets, rugs and tufted mats, for more than two decades. Further, the promoters of the company have over three decades of experience in the field of manufacturing of the non-woven carpet industry. The promoter's background, experience and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.
- **Steady business risk profile buoyed by Increase in the scale of operations**
  CFL has achieved revenue of Rs. 120.86 Cr in FY2024 (refers to period April 1st, 2023, to March 31, 2024) as compared to Rs. 96.74 Cr in FY2023 (refers to period April 1st, 2022, to March 31, 2023), thereby registering a y-o-y growth of ~24.93 per cent due to rise in its volume sales (by around 12.01% in FY2024 as compared to FY2023) coupled with average rise in sales realization of carpets & mats, which are the primary products of CFL. Further, the company has achieved revenue of around Rs. 97.72 Cr in 10MFY2025 (Provisional) (refers to period April 1st, 2024, to January 31, 2025). Infomerics believes that the growth in the scale of operations of the company will be a key rating determinant, going forward.

- **Healthy profitability margins**
  The EBITDA margin of the company improved and stood healthy at 16.21% in FY2024 from 10.88% in FY2023. The increase in EBITDA margin is due to decrease in the prices of its primary raw material. Further, the PAT margin of the company stood at 6.97% in FY2024 as compared to the losses incurred in FY2023. The increase in the PAT margin is due to increase in topline and decline in depreciation expenses. The RoCE for the company stood comfortable at 10.68 per cent in FY2024. In FY2023, the Indian Textile industry witnessed major challenges due to fluctuating cotton prices, diminishing demand, capacity under-utilization and dumping of imported fabrics and garments from China and Bangladesh. Further, the company

has achieved a EBIDITA margin and a PAT margin of 13.90% per cent and 2.34% in 10MFY2025 respectively. Infomerics believes that the profitability margin of the company will be a key rating monitorable, going forward.

Key Rating Weaknesses

- **Moderate financial risk profile**

  The capital structure of the company is moderately leveraged. The company's adjusted net worth as on March 31, 2024, consisted of subordinated unsecured loans aggregating to Rs. 12.32 crore from the promoters which is considered as quasi equity and subtracting the advances recoverable of Rs. 0.51 Cr. The company's ATNW including quasi equity stood at Rs.43.45 crore as on March 31, 2024, which improved from Rs. 32.27 crore as on March 31, 2023, driven by healthy accretion of profits. The adjusted gearing improved but remained high at 1.80 times as on March 31, 2024, as compared to 3.05 times on March 31, 2023. Again, the TOL/ATNW including quasi equity improved but stood high to 2.71 times as on March 31, 2024, from 4.09 times as on March 31, 2023. Further, the debt protection metrics remained weak by its interest coverage ratio which stood at 1.86x times in FY2024 and DSCR stood low at 0.74x times as on March 31, 2024. Going forward, the financial risk profile of the company will improve, backed by steady accruals and no major debt-funded capex plans.

- **Working capital intensive nature of operations**

  The working capital management of the company is intensive marked by high operating cycle which stood at 250 days as on 31st March 2024 as compared to 305 days as on 31st March 2023. The operating cycle is predominantly driven by the high debtor level during the same period. The debtor period improved but stood high at 198 days as on 31st March 2024 as against 245 days as on 31st March 2023. The high debtor days are driven by extended credit provided to customers to combat competition. Further, the inventory holding also stood high at 132 days as on 31st March 2024. The working capital management of the company will remain almost at the same level over the medium term, owing to the nature of the industry.

- **Susceptibility of its profitability to adverse fluctuations in prices of key raw material prices**

  The basic raw material for the company is poly propylene granules which is derivative of crude oil hence its price is determined by global crude oil price. Raw material accounted for ~65%-70% of its total cost of sales, hence the profitability of the company remains exposed to fluctuations in raw material prices. Going forward, any change in price globally or domestically will be a key rating monitorable.

- **Intense competition from unorganized players**

  Fabric and carpet manufacturing is a fragmented industry with a large number of players operating in this segment. A large number of small-scale units resulted in a fragmented nature of the industry, leading to intense competition among the players, which in turn reduces their pricing power.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Stretched

The company is having a stretched liquidity position as the net cash accruals stood insufficient at Rs. 9.15 Cr as on March 31, 2024, as against long-term debt repayment of Rs. 16.00 Cr over the same period. Nevertheless, the promoters fund the shortfall from their own resources and there are no instances of any delay in the repayment of the term loan(s). The cash and bank balances of the company stood at Rs. 3.23 Cr as on March 31, 2024. However, the current ratio stood moderate at 1.21x as on March 31, 2024, and the Quick Ratio also remains moderate at 0.84x as on March 31, 2024. Further, the average fund-based limit utilisation remains high at 95.39 per cent over the twelve months ended February 2025. Going forward, the liquidity position of the company is likely to improve supported by growing accruals.

About the Company

Chinar Forge Limited (CFL) is a floor covering manufacturer and is a leading producer of yarn, area rugs, bathmats, non-woven carpets and Wall to Wall carpets. The promoters of the company have over three decades of experience in the field of manufacturing of non-woven carpet industry. Further, the company has diversified its product profile over the years and currently manufactures complete home solution products which includes carpets, floor mats, blankets, bed sheets, pillow covers, mattresses, comforts, backpacks, pet furnishing products etc.

Financials (Standalone): (Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	96.74	120.86
EBITDA	10.53	19.59
PAT	-9.47	8.45
Total Debt	98.41	78.04
Adjusted Tangible Net Worth	32.27	43.45
EBITDA Margin (%)	10.88	16.21
PAT Margin (%)	-9.72	6.97
Adjusted Overall Gearing Ratio (x)	3.05	1.80
Interest Coverage (x)	1.03	1.86

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2025 - 2026)				Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding - (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023 - 2024	Date(s) & Rating(s) assigned in 2022-2023	
				-	April 03, 2025	September 19, 2024	August 7, 2023	Sep 21, 2022	April 19, 2022
1.	Term Loans	Long Term	7.46	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING *	IVR BBB-/ Stable	IVR BB+/ Stable	IVR B+ ISSUER NOT COOPERATING*
2.	GECL	Long Term	3.59	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING *	IVR BBB-/ Stable	IVR BB+/ Stable	-
3.	Cash Credit	Long Term	60.00	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING *	IVR BBB-/ Stable	IVR BB+/ Stable	IVR B+ ISSUER NOT COOPERATING*

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2025 - 2026)				Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding - (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023 - 2024	Date(s) & Rating(s) assigned in 2022-2023	
				-	April 03, 2025	September 19, 2024	August 7, 2023	Sep 21, 2022	April 19, 2022
4.	Letter of Credit	Short Term	12.00	IVR A4+	-	-	-	-	-

*Issuer did not cooperate; based on best available information

Analytical Contacts:

Name: Kaustav Saha	Name: Sandeep Khaitan
Tel: (033) - 48033621	Tel: (033) - 46022266
Email: kaustav.saha@infomerics.com	Email: Sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate /IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	FY2025	1.09	IVR BB+/ Stable
Term Loan 2	-	-	-	FY2030	4.00	IVR BB+/ Stable
Term Loan 3	-	-	-	FY2032	2.37	IVR BB+/ Stable
GECL 1	-	-	-	FY2027	3.59	IVR BB+/ Stable
Cash Credit 1	-	-	-	-	7.50*	IVR BB+/ Stable
Cash Credit 2	-	-	-	-	52.50**	IVR BB+/ Stable
Letter of Credit	-	-	-	-	12.00	IVR A4+

**LC of Rs.2.00 Cr is the sublimit of Cash Credit*
***Packaging credit of Rs.2.00 Cr is the sublimit of Cash Credit*
***Foreign Documentary Bill Purchased (FOBP)/Foreign Usance Documentary Bill Purchased (FOUDBP)/(FOCBRD) is the sub-limit of Cash Credit*
***ILC of Rs. 12.00 Cr is the sub-limit of Cash Credit*
***FLC of Rs. 6.50 Cr is the sub-limit of Cash Credit*

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-chinar-forge-apr25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com