

Press Release

Indo Laminates Private Limited (ILPL)

9 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA B+/ Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 30.00 crore bank facilities of Indo Laminates Private Limited (ILPL). The outlook is '**Stable**'.

The Delhi-based ILPL, promoted by Mr. Rahul Goyal and Mr. Subhash Goyal is engaged in the manufacturing of laminates. The company was incorporated in 1985 at Bahadurgarh, Haryana and commercial operations commenced in 2014. The total installed capacity stood at 2.50 lakh sheets per month.

Key rating drivers

Strengths

Experienced management

The promoters, Mr. Rahul Goyal and Mr. Subhash Goyal have experience of over two decades in the laminates industry which has helped establish long term relations with customers and suppliers in the local as well as global markets.

Moderate revenue growth

ILPL registered operating income of Rs. 59.69 crore in FY2017 as against Rs. 56.65 crore in FY2016 and Rs. 24.24 crore in FY2015. Further, during April 2017 to December 2017 the company registered gross revenues of Rs. 70.00 crore.

Weaknesses

Below average financial risk profile marked by high gearing

ILPL has below average financial risk profile marked by tangible net worth of Rs. 8.25 crore as on 31 March, 2017 as against Rs. 7.79 crore as on 31 March, 2016. The gearing stood high at 4.61 times as on 31 March, 2017 as against 4.21 times as on 31 March, 2016. The debt of Rs. 38.07 crore mainly consists of term loans of Rs. 10.29 crore and working capital borrowings of Rs. 25.38 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 2.05 times for FY2017 as against 1.85 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood low at 0.60 times for FY2017 as against 0.50 times in FY2016 as the net cash accruals are not sufficient to pay current portion of long term debt. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 7.53 times as on 31 March, 2017 as against 6.64 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on 31 March, 2017 as

against 0.07 times as on 31 March, 2016. Going forward, SMERA expects the gearing to remain high on account of debt funded capex plans in the near term.

Working capital intensive operations

ILPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 295 days in FY2017 compared to 247 days in FY2016. The GCA days are mainly dominated by high debtor days of 155 in FY2017 compared to 157 in FY2016. The average cash credit utilisation for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

I IPL operates in a highly competitive and fragmented laminates industry characterised by a large number of organised as well as unorganised players, affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of ILPL to arrive at the rating.

Outlook – Stable

SMERA believes that ILPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	59.69	56.65	24.24
EBITDA	Rs. Cr.	7.18	5.43	2.92
PAT	Rs. Cr.	0.71	0.44	0.19
EBITDA Margin	(%)	12.03	9.58	12.03
PAT Margin	(%)	1.19	0.77	0.79
ROCE	(%)	9.93	10.44	9.86
Total Debt/Tangible Net Worth	Times	4.61	4.21	4.47
PBDIT/Interest	Times	2.05	1.85	2.96
Total Debt/PBDIT	Times	5.26	6.02	7.14
Gross Current Assets (Days)	Days	295	247	311

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

Rating History (Upto last three years)

Not Applicable

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.39	SMERA B+/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.23	SMERA B+/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.88	SMERA B+/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4

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ABOUT SMERA

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