

Press Release

Indo Laminates Private Limited

May 31, 2019

Rating Reaffirmed



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 30.00 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to '**ACUITE B**' and reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 30.00 crore bank facilities of Indo Laminates Private Limited. The outlook is '**Stable**'.

The rating downgrade reflects decline in revenue profile and profitability due to the reduction in the demand of 10 mm laminate sheet product line and intensive working capital operations.

Delhi-based, Indo Laminates Private Limited (ILPL) was incorporated in the year 1985 by Mr. Rahul Goyal and Mr. Subhash Goyal consequently the operations of the company started in 2014. ILPL is engaged in the manufacturing of laminates. The company has its manufacturing unit at Bahadurgarh, Haryana with total installed capacity of 30 lakhs sheets per annum.

Analytical Approach

The team has taken a standalone view of the business and financial risk profile of INDO LAMINATES PRIVATE LIMITED to arrive at this rating.

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 them to establish long term relationship with various customers and suppliers in both local as well as global markets.

Weaknesses

• Working-capital intensive operations

ILPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 561 days in FY19 (Provisional) compared to 401 days in FY18. The GCA days are mainly dominated by high inventory days which stood high at 493 for FY19 (Provisional) compared to 322 days in FY18. The creditor days stood at 144 days in FY19 (Provisional) compared to 96 days in FY18. The average cash credit utilization for the past six months stood at ~95 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• **Below average financial risk profile marked by high gearing**

ILPL has below average financial risk profile marked by tangible net worth of Rs.10.82 crore as on 31st March, 2019 (Provisional) as against Rs.10.35 crore as on 31st March, 2018. The gearing stood high at 3.71 times as on 31st March, 2019 (Provisional) as against 4.20 times as on 31st March, 2018. The debt of Rs. 30.00 crore mainly consists of term loans of Rs. 3.95 crore and working capital borrowings of Rs. 23.41 crore as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 1.76 times for FY 2019 (Provisional) as against 1.91 times in FY2018. Debt Service Coverage Ratio (DSCR) stood low at 0.51 times for FY 2019 (Provisional) as against 0.64 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.91 times as on 31 March, 2019 (Provisional) as against 7.24 times as on 31st March, 2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31st March, 2019 (Provisional) as against 0.10 times as on 31 March, 2018.

• **Highly competitive and fragmented industry**

ILPL operates in a highly competitive and fragmented laminates industry characterized by large number of unorganized players affecting margins.

Liquidity Position:

ILPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 3.24 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 2.01 crore for the same period. The company's working capital operations are intensive marked by gross current asset (GCA) days of 561 days for FY2019 (Provisional). The working capital limit remains utilized over 90 per cent during the last 6 months period ended on March, 2019 (Provisional). The current ratio stands at 1.67 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes ILPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues 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 the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 45.51 | 60.19 | 59.69 |
| EBITDA | Rs. Cr. | 7.89 | 7.62 | 7.18 |
| PAT | Rs. Cr. | 0.60 | 1.60 | 0.65 |
| EBITDA Margin | (%) | 17.33 | 12.67 | 12.03 |
| PAT Margin | (%) | 1.33 | 2.67 | 1.09 |
| ROCE | (%) | 10.28 | 10.87 | 9.93 |
| Total Debt/Tangible Net Worth | Times | 1.43 | 2.37 | 4.24 |
| PBDIT/Interest | Times | 1.76 | 1.91 | 2.01 |
| Total Debt/PBDIT | Times | 3.77 | 4.68 | 5.18 |
| Gross Current Assets (Days) | Days | 561 | 401 | 295 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

| Date | Name of the instrument/ facilities | Term | Amount (Rs. Crore) | Ratings/ Outlook |
|---------------|---------------------------------------|------------|-----------------------|----------------------------------|
| 9 March, 2018 | Cash Credit | Long-Term | 15.00 | ACUITE B+/ Stable (Assigned) |
| | Term Loan | Long-Term | 2.39 | ACUITE B+/ Stable (Assigned) |
| | Term Loan | Long-Term | 3.23 | ACUITE B+/ Stable (Assigned) |
| | Term Loan | Long-Term | 1.88 | ACUITE B+/ Stable (Assigned) |
| | Letter of credit | Short-Term | 7.5 | ACUITE A4 (Assigned) |
| 30 May, 2016 | Term Loan | Long-Term | 11.00 | ACUITE B-/ Stable (Suspended) |
| | Cash Credit | Long-Term | 4.00 | ACUITE B-/ Stable (Suspended) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|---------------------------|---------------------|-------------------|-------------------|--------------------------------|--|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE B / Stable (Downgraded from ACUITE B+/Stable) |
| Term loan | Not Applicable | Not Applicable | Not Applicable | 1.55 | ACUITE B / Stable (Downgraded from ACUITE B+/Stable) |
| Term loan | Not Applicable | Not Applicable | Not Applicable | 2.09 | ACUITE B / Stable (Downgraded from ACUITE B+/Stable) |
| Term loan | Not Applicable | Not Applicable | Not Applicable | 1.40 | ACUITE B / Stable (Downgraded from ACUITE B+/Stable) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 7.50 | ACUITE A4 (Reaffirmed) |

| | | | | | |
|---------------------|----------------|----------------|----------------|------|---------------------------------|
| Proposed Facilities | Not Applicable | Not Applicable | Not Applicable | 2.40 | ACUITE B / Stable (Assigned) |
|---------------------|----------------|----------------|----------------|------|---------------------------------|

Contacts

| Analytical | Rating Desk |
|--|---|
| Avadhoot Mane Senior Analyst - Rating Operations Tel: 022 49294022 avadhoot.mane@acuite.in Nikhilesh Pandey Analyst - Rating Operations Tel: 011-49731312 nikhilesh.pandey@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.