

April 27, 2016

| Facilities                  | Amount<br>(Rs. Crore) | Ratings                            |
|-----------------------------|-----------------------|------------------------------------|
| <b>Cash Credit</b>          | <b>6.00</b>           | <b>SMERA BB+/Stable (Assigned)</b> |
| <b>Term Loan</b>            | <b>4.33</b>           | <b>SMERA BB+/Stable (Assigned)</b> |
| <b>Long Term (Proposed)</b> | <b>5.77</b>           | <b>SMERA BB+/Stable (Assigned)</b> |
| <b>Letter of Credit</b>     | <b>0.15</b>           | <b>SMERA A4+ (Assigned)</b>        |
| <b>Bank Guarantee</b>       | <b>0.75</b>           | <b>SMERA A4+ (Assigned)</b>        |

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.16.10 crore long term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.0.90 crore short term (non-fund based) bank facilities of Indcoat Shoe Components Limited (ISCL). The outlook is '**Stable**'. The ratings derive comfort from the company's low leverage and healthy debt protection metrics. The ratings also draw support from the experienced management and profitability profile. However, the aforementioned strengths are partially offset by the negative growth in operating income and capital intensive nature of business. SMERA believes that the business risk profile has also taken a hit due to fall in demand from European nations caused by a slowdown.

### Outlook: Stable

SMERA believes ISCL will benefit over the medium term from its established market position and extensive experience of promoters. The outlook may be revised to 'Positive' with sustained improvement in revenue and profitability leading to large cash accruals and new customer segments emerging from non-European continents. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue or continuation of negative growth in revenue and profitability. A stretched working capital cycle or large debt-funded capex undertaken by the company may also entail a 'Negative' outlook.

### Rating Sensitivity Factors

- Ease down in geographical concentration
- Debt funded capital expansion
- Improvement in working capital cycle
- Sustainable growth in revenue and profitability profile

### About the Company

Indcoat Shoes Component Limited (ISCL), part of the Indcoat group was established in 2000. The company, managed by Mr Khemka and family, is engaged in the manufacture of polyurethane (PU) and thermo plastic rubber (TPR) soles, used in shoe manufacturing. The company has four manufacturing facilities at Kanpur with an annual capacity of 6 lakh pairs of shoes. The average utilisation varies between 65-70 per cent.

*SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*

For FY2014-15, the company reported profit after tax (PAT) of Rs.1.59 crore on operating income of Rs.42.72 crore, as compared with profit after tax (PAT) of Rs.1.99 crore on operating income of Rs.45.54 crore in FY2013-14. ISCL has reported operating income of Rs.22.17 crore (provisional) for nine months ended December 2015. The net worth of the company stood at Rs.17.11 crore as on March 31, 2015 against Rs.15.42 crore a year earlier.

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