

## Press Release

### INDIAN COMMERCE & INDUSTRIES CO. PRIVATE LIMITED

December 06, 2017

#### Rating Reaffirmed



|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 39.90 Cr.               |
| <b>Long Term Rating</b>             | SMERA BBB / Outlook: Stable |
| <b>Short Term Rating</b>            | SMERA A3+                   |

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB**' (**read as SMERA BBB**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs. 39.90 crore bank facilities of INDIAN COMMERCE AND INDUSTRIES CO PRIVATE LIMITED. The outlook is '**Stable**'.

Indian Commerce and Industries Company Private Limited (Indian Commerce), the flagship company of the Beehive Kowtha Group was incorporated in 1907 by Mr. Kowtha Suryanarayan Row Pantulu. The group is engaged in the fabrication business with operations at Chennai, Vijayawada and Hyderabad. The company has a steel foundry at Vijayawada and specialises in wear-resistant low, medium and high alloy castings of various grades. The group is led by Directors, Mr. C. Ramesh Kumar, Mr. C. Ravindran and Dr.K.L.Manohar.

#### Key Rating Drivers

##### Strengths

- **Long track record of operations**

Indian Commerce, the flagship company of the Beehive Kowtha Group was established in 1907. The group has operations at Chennai, Vijayawada and Hyderabad.

- **Qualified and experienced management**

The company is led by Directors, Mr. C Ramesh Kumar, Dr.K.L.Manohar and Mr. C. Ravindran with several decades of experience in the aforementioned industry.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by tangible networth of Rs.92.01 crore as on 31 March, 2017 (Provisional) as against Rs.86.58 crore as on 31 March, 2016. The networth includes unsecured loan from directors and relatives to the tune of Rs. 34.88 crore as on 31 March, 2017 subordinated to bank debt. The gearing has been comfortable and stood at 0.11 times as on 31 March, 2017 (Provisional) as against 0.07 times as on 31 March, 2016. The total debt of Rs.10.34 crore as on 31 March, 2017 comprises working capital limit of Rs.8.76 crore, long term debt of Rs.1.08 crore and term loan of Rs. 0.50 crore. Indian Commerce has a moderate interest coverage ratio of 2.14 times in FY2016-17 (Provisional) compared to 2.55 times in FY2015-16. The gearing is expected to remain comfortable in the medium term in the absence of external borrowing. The net cash accrual stands healthy at Rs.4.39 crore in FY2016 as against Rs. 5.24 crore for FY2015. The NCA stood at Rs. 4.39 crore in 2017 (Provisional). Against this, Indian Commerce has debt repayment obligation of around Rs.1.08 crore for FY2018. SMERA believes that Indian Commerce will sustain a healthy financial risk profile on the back of healthy cash accruals in the absence of debt funded capex plans.

##### Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high gross current asset (GCA) days of 270 in FY2017 (Provisional) as against 204 in FY2016. This is mainly on account of increase in inventory and

debtor days to 76 and 65 from 46 and 36 days in FY2016. However, the company has been able to manage its working capital efficiently as reflected in its utilisation of bank limits which stood at 62 percent for the last six months ended August 2017.

**• Volatility in commodity prices**

The margins are susceptible to volatility in commodity prices. However, the company follows a strategic inventory policy to protect itself against inventory losses and thereby maintains stable margins.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profile of Indian Commerce to arrive at the rating.

**Outlook: Stable**

SMERA believes that Indian Commerce will maintain a stable outlook over the medium term owing to its experienced management and established operational track record. The outlook may be revised to 'Positive' if the company is able to register healthy revenue and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins.

**About the Rated Entity - Key Financials**

For FY2016-17 (Provisional), Indian Commerce reported profit after tax (PAT) of Rs.2.91 crore on operating income of Rs.134.55 crore, compared to net profit of Rs.5.60 crore on operating income of Rs.147.01 crore in FY2015-16. The net worth stood at Rs.92.01 crore as on 31 March, 2017 (Provisional) compared to Rs.86.58 crore, a year earlier.

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

None

**Any other information**

None

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook    |
|-------------|---------------------------------|------------|------------------|--------------------|
| 02-Aug-2017 | Cash Credit                     | Long Term  | INR 4.5          | SMERA BBB          |
|             | Term Loan                       | Long Term  | INR 5.39         | SMERA BBB          |
|             | Term Loan                       | Long Term  | INR 4.21         | SMERA BBB          |
|             | Proposed Long Term Loan         | Long Term  | INR 0.8          | SMERA BBB          |
|             | Letter of Credit                | Short Term | INR 10           | SMERA A3+          |
|             | Bank Guarantee                  | Short Term | INR 15           | SMERA A3+          |
| 28-Apr-2016 | Cash Credit                     | Long Term  | INR 4.5          | SMERA BBB / Stable |

|                        |            |          |                    |
|------------------------|------------|----------|--------------------|
| Term Loan              | Long Term  | INR 5.39 | SMERA BBB / Stable |
| Term Loan              | Long Term  | INR 4.21 | SMERA BBB / Stable |
| Letter of Credit       | Short Term | INR 10   | SMERA A3+          |
| Bank Guarantee         | Short Term | INR 15   | SMERA A3+          |
| Proposed Bank Facility | Long Term  | INR 0.8  | SMERA BBB / Stable |

#### \*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 | 4.50                        | SMERA BBB / Stable |
| Term loans                         | Not Applicable   | Not Applicable | Not Applicable | 5.39                        | SMERA BBB / Stable |
| Term loans                         | Not Applicable   | Not Applicable | Not Applicable | 4.21                        | SMERA BBB / Stable |
| Proposed                           | Not Applicable   | Not Applicable | Not Applicable | 0.80                        | SMERA BBB / Stable |
| Letter of credit                   | Not Applicable   | Not Applicable | Not Applicable | 10.00                       | SMERA A3+          |
| Bank guarantee/Letter of Guarantee | Not Applicable   | Not Applicable | Not Applicable | 15.00                       | SMERA A3+          |

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#### ABOUT SMERA

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