

May 06, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB+/Stable (Assigned)
Term Loan I	0.33	SMERA BB+/Stable (Assigned)
Term Loan II	0.63	SMERA BB+/Stable (Assigned)
Term Loan III	0.45	SMERA BB+/Stable (Assigned)
Fund Based (Proposed)	0.59	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (**read as SMERA double B plus**) to the Rs.8.00 crore bank facilities of Indian Drape Private Limited (IDPL). The outlook is '**Stable**'. The rating draws comfort from the company's experienced management, long track record of operations, improved profit margins and above average financial risk profile. However, the rating is constrained by the moderate scale of operations, working capital intensive business and intense competition in the textile industry.

IDPL is a Mumbai-based company engaged in the manufacturing of home furnishing fabrics since 1988. The company benefits from its experienced management. Mr. Jayesh Dave, Managing Director, has around 25 years of experience in the textile industry. IDPL's operating margins have improved and stand at 9.43 per cent in FY2014-15 as compared to 8.22 per cent in FY2013-14. The financial risk profile of the company is above average marked by gearing at 0.80 times as on March 31, 2015. The interest coverage ratio stands at 2.72 times for FY2014-15 as compared to 2.78 times for FY2013-14. IDPL has capex plan to increase its production in FY2016-17 by setting up new plant and machinery, for which it has taken a loan of Rs.0.45 crore. The company is expected to generate healthy cash accruals to meet its repayment obligations in the medium term.

IDPL operates on a moderate scale due to intense competition. The company's revenues increased moderately from Rs.31.47 crore in FY2013-14 to Rs.32.48 crore in FY2014-15. Further, the company registered revenues of ~Rs.33.16 crore in FY2015-16 (provisional). IDPL's operations are working capital-intensive as reflected in its gross current assets of around 171 days as on March 31, 2015. The GCA days are high because of the high receivable days of ~94 days and inventory levels of around ~77 days. However, the company has been able to manage its working capital efficiently as seen in its six monthly average bank limit utilisation of 63 per cent.

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Outlook: Stable

SMERA believes that IDPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' if the company registers substantial increase in its scale of operations while maintaining profit margins. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues amidst intensifying competition in its area of operation. Any deterioration in the financial risk profile of the company on account of higher-than-expected increase in debt-funded working capital requirements and capital expenditure may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Growth in revenues while sustaining operating margins
- Susceptibility to raw material volatility
- Efficient working capital management

About the Company

The Mumbai-based IDPL, incorporated in 1996 is engaged in the manufacturing of home furnishing fabrics. The company acquired the proprietorship concern of Mr. Jayesh Dave established in 1988. The day-to-day operations are managed by Mr. Jayesh Dave and Mr. Yash Dave (Directors).

For FY2014-15, IDPL reported profit after tax (PAT) of Rs.0.84 crore on operating income of Rs.32.47 crore, as compared with PAT of Rs.0.80 crore on operating income of Rs.31.48 crore for FY2013-14.

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