

Press Release

Indian Drape Private Limited (IDPL)

17 April, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB+ /Stable (Reaffirmed)

**Refer annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.8.00 crore bank facilities of Indian Drape Private Limited (IDPL). The outlook is '**Stable**'.

The Mumbai-based IDPL, incorporated in 1996, is engaged in the manufacturing of home furnishing fabrics. The company acquired a proprietorship concern of Mr. Jayesh Dave which was established in 1988. The day-to-day operations are managed by Mr. Jayesh Dave and Mr. Yash Dave (Directors). IDPL has an installed capacity of 8 lacs meter per annum.

Key rating drivers

Strengths

Established management and long track record of operations

IDPL was incorporated in 1996 by Mr. Jayesh Dave and Mr. Yash Dave who possesses over two decades of experience in the textile industry. This will help IDPL to maintain long relations with its customers and suppliers.

SMERA believes that IDPL will benefit from its established position in the textile industry and experienced management.

Above average financial risk profile

IDPL has above average financial risk profile marked by net worth of Rs.14.65 crore as on 31 March, 2017 as against Rs.12.78 crore as on 31 March, 2016. The unsecured loan of Rs.2.75 crore has been treated as quasi equity. The gearing (debt-equity) stood at 0.72 times as on 31 March, 2017 as against 0.95 times as on 31 March, 2016. The total debt of Rs.10.51 crore as on 31 March 2017 mainly consists of unsecured loan of Rs.2.96 crore, short term borrowing of Rs.4.16 crore and term loan of Rs.3.39 crore.

Interest Coverage Ratio (ICR) stood at 2.76 times for FY2016-17 as against 2.77 times in FY2015-16. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.88 times as on 31 March, 2017 as against 1.21 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on 31 March, 2017 as against 0.16 times as on 31 March, 2016.

Further, IDPL has registered improvement in profitability margins. The EBITDA margins have improved to 14.59 percent in FY2017 as against 11.52 percent in FY2016. The PAT margins have also improved to 3.81 percent in FY2017 as against 3.01 percent in FY2016.

Going forward, SMERA expects the company to maintain its financial risk profile in the absence of any major debt funded capital expenditure or moderate net cash accruals.

Weaknesses

Moderate scale of operations

Being in the same line of business for more than two decades, the scale of operations of IDPL have been moderate and stood at Rs.29.31 crore in FY2016-17 as compared to revenues of Rs.33.41 crore in FY2015-16.

Working capital intensive operations

IDPL operates in a working capital intensive nature of business marked by Gross Current Asset (GCA) of 197 days in FY2017 compared to 186 days in FY2016. The GCA days mainly includes inventory days and debtor days of 121 and 81 for FY2016-17 respectively. However, the average cash credit utilization stood at ~80 percent for last six months ended March, 2018.

Susceptibility of margins to volatility in raw materials

The major raw material is grey fabrics. Hence, the operating margins are susceptible to fluctuations in raw material prices. Besides, the raw material are also imported from countries like Germany and China. Wherein, adverse movements in raw material prices can impact profitability.

Analytical approach:

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

Outlook – Stable

SMERA believes that IDPL will maintain a 'Stable' business risk profile over the medium term based on its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers a substantial increase in the 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, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.31	33.41	32.47
EBITDA	Rs. Cr.	4.28	3.85	3.06
PAT	Rs. Cr.	1.12	1.00	0.84
EBITDA Margin	(%)	14.59	11.52	9.43
PAT Margin	(%)	3.81	3.01	2.60
ROCE	(%)	12.87	12.72	12.28
Total Debt/Tangible Net Worth	Times	0.72	0.95	0.80
PBDIT/Interest	Times	2.76	2.77	2.72

Total Debt/PBDIT	Times	2.42	3.11	2.97
Gross Current Assets (Days)	Days	197	186	191

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

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
31-Aug-2017	Cash Credit	Long Term	6.00	SMERA BB+ (Issuer Non-Cooperating)
	Term Loan I	Long Term	0.33	SMERA BB+ (Issuer Non-Cooperating)
	Term Loan II	Long Term	0.63	SMERA BB+ (Issuer Non-Cooperating)
	Term Loan III	Long Term	0.45	SMERA BB+ (Issuer Non-Cooperating)
	Fund Based (Proposed)	Long Term	0.59	SMERA BB+ (Issuer Non-Cooperating)
06-May-2016	Cash Credit	Long Term	6.00	SMERA BB+/Stable (Assigned)
	Term Loan I	Long Term	0.33	SMERA BB+/Stable (Assigned)
	Term Loan II	Long Term	0.63	SMERA BB+/Stable (Assigned)

	Term Loan III	Long Term	0.45	SMERA BB+/Stable (Assigned)
	Fund Based (Proposed)	Long Term	0.59	SMERA BB+/Stable (Assigned)

***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	6.00	SMERA BB+/Stable (Reaffirmed)
Term loans II	Not Applicable	Not Applicable	Not Applicable	0.31	SMERA BB+/Stable (Reaffirmed)
Term loans III	Not Applicable	Not Applicable	Not Applicable	0.38	SMERA BB+/Stable (Reaffirmed)
Term loans IV	Not Applicable	Not Applicable	Not Applicable	1.09	SMERA BB+/Stable (Reaffirmed)
Proposed Fund Based	Not Applicable	Not Applicable	Not Applicable	0.22	SMERA BB+/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Kashish Shah, Rating Analyst, Tel: +91-22-6714 1152 Email: kashish.shah@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A 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) for the latest information on any instrument rated by SMERA.