

## Press Release

### Indian Drape Private Limited

July 13, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	8.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.8.00 Cr bank facilities of Indian Drape Private Limited (IDPL). The outlook is '**Stable**'.

#### Rationale for rating reaffirmation

The rating reflects the established track record of operations of the company in the furnishing fabrics industry. The ratings also draws comfort from long and extensive experience of the promoters in the aforementioned industry, healthy financial risk profile and adequate liquidity of the company. However, these strengths of the company are partially offset due to the intensive working capital operations and presence in a highly fragmented and competitive industry.

#### About the Company

Indian Drape Private Limited is a Maharashtra based company incorporated in the year 1996. The company is engaged into manufacturing of home furnishing fabrics like curtain, upholster and other decorative. These products are made with different types of fabrics like velvet, woven, knit, nylon, polyester, cotton, etc. The day to day operation of the company is managed by its directors, Mr.Jayesh Dave and Ms.Palak Dave who have an experience of more than three decades in the textile industry. The company has its manufacturing unit at Bhiwandi, Maharashtra with an installed capacity of 12 lakh meters per annum. The company has a division named J&Y Fabrics, which is used as a trademark for the orders catering small quantity. However, the bulk orders are catered under the name of Indian Drape Private Limited.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Indian Drape Pvt Ltd(IDPL) to arrive at this rating.

#### Key Rating Drivers

Acuite Ratings & Research Limited

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## Strengths

### Established track record of operations and experienced management

IDPL was incorporated in the year 1996, however, the business was started in the year 1981 under a proprietorship concern headed by Mr. Jayesh Dave. Currently, the company is managed by Mr. Jayesh Dave and Ms. Palak Dave, who have been engaged in the aforementioned industry for around three decades. The extensive experience of the promoters and established track record of operation has helped the company to maintain healthy relationships with its customer and suppliers. The company has wide customer base marked by tie up with around 400 wholesalers across India thus mitigating any instance of geographical concentration risk.

Acuité believes that the company will benefit from its experienced management and long track of operation.

### Stable operating performance

Indian Drape Private Limited (IDPL) recorded a modest growth in its performance. The revenue stood at Rs.13.27 Cr in FY2022 (Prov.) as against 10.85 Cr in FY2021 with a Y-o-Y growth of 22%. The company has however been unable to reach pre-covid levels in FY2022. IDPL has also introduced a new product- Fabric Wallpaper in FY2023. IDPL incurred various research and testing expenses for releasing the new product and hence the EBITDA margins declined from 19.49% in FY2021 to 12.56% in FY2022 (Prov.). PAT margins remained stable at 1% in FY2022 (Prov.) as against 0.89% in FY2021. The company as has recorded Rs.3.30 Cr of revenue for 3MFY2023.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the company over the medium term.

### Healthy Financial Risk Profile

Financial risk profile of IDPL is comfortable with low gearing, modest tangible networth and comfortable debt protection metrics. Tangible networth of the company stood at Rs.15.45 Cr as on 31st March 2022 against Rs.15.31 Cr as on 31st March 2021. Such growth is on account of accretion of profits in reserves. Gearing of the company remained low at 0.66 times as on 31st March 2022 same as the previous year. Total debt of the company stood at 10.20 Cr as on 31st March 2022 as against 10.14 Cr as on 31st March 2021. Total debt consists of long term debt of Rs.1.67 Cr, short term debt of Rs.5.72 Cr and 2.81 Cr of unsecured loans from directors and related parties. TOL/TNW of the company stood at 0.76 times as on 31st March 2022 as against 0.82 times in FY2021. NCA to Total debt stood at 0.11 times in FY2022. Debt protection metrics of the company remained comfortable with DSCR at 1.13 times in FY2022 as against 1.88 times in FY2021. Interest coverage ratio stood at 2.89 times in FY2022 as against 2.32 times in FY2021.

Acuité believes that the financial risk profile of the company is expected to remain healthy over the near to medium term on account of moderate cash accruals and absence of any significant debt-funded capex.

## Weaknesses

### Intensive working capital operations

Working capital operation of the company are intensive marked by GCA days of 517 days in FY2022 (Prov.) as against 641 days in FY2021. Higher GCA days are driven by high debtor collection period and inventory holding period. The company has two segments i.e. wholesale for bulk purchases and retail for smaller quantities. For retail sales, retailers buy booklets containing samples of fabrics manufactured by the IDPL. Orders are then placed by the retail customers as per their requirement. For such retailers IDPL extends a credit period of 30-45 days. For wholesale trade the company extends a credit period of 150-180 days. Debtor collection period of IDPL stood at 170 days as against 213 days in FY2021. Higher debtor collection period in FY2021 was on account of delayed payments on account of covid induced lockdown. One of the key raw materials for IDPL is grey fabric and transfer paper. The company also imports some of its raw materials from Germany. Due to fluctuating raw material prices the company purchases raw materials in bulk when there is a decline in

the prices. Inventory holding period stood at 298 days in FY2022 as against 355 days in FY2021. Acuité believes that the ability of the company to efficiently manage its working capital requirements will remain key rating sensitivity.

### Highly fragmented and competitive industry

IDPL operates in a highly competitive and fragmented textile industry wherein the product belongs to niche segment. Presence of several organized and unorganized players in the market limits the bargaining power of the company. However, long track record of operation and extensive experience of the promoters helps the company in mitigating the risk to a larger extent.

### Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins.
- Any further deterioration in the working capital cycle will further impact the financial risk profile, thereby impact credit risk profile

### Material covenants

None

### Liquidity: Adequate

IDPL's liquidity is adequate marked by sufficient net cash accruals to cover its debt repayment obligations. IDPL's net cash accruals stood at Rs.1.09 Cr in FY2022 as against debt repayment obligations of Rs.0.90 Cr. The company is expected to generate sufficient net cash accruals of Rs.1.82-2.20 Cr. against debt obligations of Rs.0.68-0.14 Cr in the medium term. Bank limit utilisations remained low at 65.93% for 6 months ending May 2022. The current ratio of the company has stood at 2.44 times as on 31 March 2022 as against 2.33 times as on March 31, 2021.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of sufficient cash accruals to meet its maturing debt obligation.

### Outlook: Stable

Acuité believes that IDPL will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	13.27	10.89
PAT	Rs. Cr.	0.13	0.10
PAT Margin	(%)	1.00	0.89
Total Debt/Tangible Net Worth	Times	0.66	0.66
PBDIT/Interest	Times	2.89	2.32

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

Not applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2021	Term Loan	Long Term	0.45	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.47	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	1.08	ACUITE BB   Stable (Assigned)
05 Feb 2020	Term Loan	Long Term	1.03	ACUITE BB   Stable (Downgraded from ACUITE BB+   Stable)
	Proposed Bank Facility	Long Term	0.97	ACUITE BB   Stable (Downgraded from ACUITE BB+   Stable)
	Cash Credit	Long Term	6.00	ACUITE BB   Stable (Downgraded from ACUITE BB+   Stable)
28 Dec 2018	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	1.60	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.38	ACUITE BB+   Stable (Withdrawn)
	Proposed Cash Credit	Long Term	0.40	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	1.09	ACUITE BB+   Stable (Withdrawn)
17 Apr 2018	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.31	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.38	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	1.09	ACUITE BB+   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.22	ACUITE BB+   Stable (Reaffirmed)
31 Aug	Cash Credit	Long Term	6.00	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.33	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	0.63	ACUITE BB+ (Issuer not co-operating*)

2017	Term Loan	Long Term	0.45	ACUITE BB+ (Issuer not co-operating*)
	Proposed Cash Credit	Long Term	0.59	ACUITE BB+ (Issuer not co-operating*)
06 May 2016	Cash Credit	Long Term	6.00	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.33	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.63	ACUITE BB+   Stable (Assigned)
	Term Loan	Long Term	0.45	ACUITE BB+   Stable (Assigned)
		Long		
	Proposed Cash Credit	Term	0.59	ACUITE BB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	9.25	29-11-2023	0.31	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	31-08-2021	7.85	31-07-2024	0.78	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	12-06-2022	6.85	12-01-2021	0.03	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	0.54	ACUITE BB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:deepti.bhandarkar@acuite.in">deepti.bhandarkar@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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