

Press Release

Indigo Multifab Private Limited

February 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 35.00 crore bank facilities of Indigo Multifab Private Limited. The outlook is '**Stable**'.

The Delhi-based IMPL, incorporated in 2001 by Mr. Anil Nagpal and Mr. Ashwini Malhotra is engaged in the trading of denim fabric. The company purchases fabric from suppliers in Punjab, Gujarat, Maharashtra and sells the same to clients across states.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Anil Nagpal and Mr. Ashwini Malhotra have more than a decades experience in the textile industry.

- **Moderate financial risk profile**

The revenue of the company increased significantly in FY2015-16 to Rs.184.23 cr, against Rs.146.27 cr in FY2014-15. The profitability improved to Rs.1.26 cr in FY2015-16 against Rs.0.74 cr in FY2014-15. Moreover, the interest coverage ratio stood at 1.96 times in FY2015-16 as against 1.84 times in FY2014-15. The operating margin stood comfortable at 3.00 per cent in FY2015-16 against 2.48 times in the previous year. The company has moderate liquidity (bank limit utilisation of 87 per cent). Equity capital of Rs.1.74 cr has been infused in FY2015-16.

Weaknesses

- **High debt to equity**

The gearing (debt-to-equity) is high and stood at 4.64 times as on March 31, 2016 against 2.94 times as on March 31, 2015.

- **Intense competition**

The company faces intense competition in the textile industry from various players in India, which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that IMPL will maintain a stable outlook in the medium term owing to its established operations and extensive experience of the promoters. The outlook may be revised to Positive in case of improvement in revenue, profitability margins and debt to equity. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile or if the company takes on large debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.26 cr on operating income of Rs.184.23 cr, as compared to PAT of Rs.0.74 cr on operating income of Rs.146.27 cr in FY2014-15. The net worth stood at Rs.6.76 cr (included quasi equity of Rs.1.81 crore) as on March 31, 2016 as against Rs.5.50 cr (included quasi equity of Rs.1.81 cr) in the previous year.

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

None

Any other information

None

Applicable Criteria

- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	30.00	SMERA BB / Stable
Cash credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable

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ABOUT SMERA

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market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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