

Press Release

Innocoat Systems India Private Limited

September 22, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.25 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.25 crore bank facilities of Innocoat Systems India Private Limited. The outlook is '**Stable**'.

Innocoat Systems India Private Limited (ISIPL) was established in 2008 by Mr. Dilip Kumar Atoor and Mr. Sindhu Dilip Kumar. The company undertakes orders for powder coating on aluminium profiles (doors, windows, channels among others). The manufacturing facility is located at Bangalore, Karnataka.

Key Rating Drivers**Strengths**

- **Experienced management**

The promoters, Mr. Dilip Kumar Atoor and Mr Sindhu Dilip Kumar have experience of more than a decade in the aluminium industry.

- **Average financial risk profile**

The average financial risk profile of ISIPL is marked by moderate net worth of Rs. 4.38 crore in FY2017 (Provisional) an increase from Rs.3.53 crore in FY2016, mainly due to retention of current year profit. The gearing increased to 0.90 times in FY2017 (Provisional) from 0.50 times in FY2016, owing to increase in long term debt. However, the interest coverage ratio stood at 4.96 times in FY2017 (Provisional) and debt service coverage ratio at 2.35 times in FY2017 (Provisional). The NCA/TD stood at 0.27 times in FY2017 (Provisional).

Weaknesses

- **Modest scale of operations**

The scale of operations is modest despite the company commencing operations in 2008. The revenue stood at Rs.12.61 crore in FY2017 (Provisional) as against Rs.9.17 crore in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by GCA days of 127 in FY2017 (Provisional), a decline from 151 days in FY2016. This is mainly on account of decrease in debtor days to 103 in FY2017 (Provisional) from 115 days in FY2016. The high debtor days are due to the inherent cyclicity in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of ISIPL.

Outlook: Stable

SMERA believes that ISIPL will maintain a stable outlook in the medium term on account of its experienced management and moderate scale of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17, ISIPL reported profit after tax (PAT) of Rs 0.85 crore on total operating income of Rs.12.61 crore, compared with PAT of Rs.0.67 crore on total operating income of Rs.9.17 crore in FY2014-15.

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

NA

Any other information

NA

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)

Not Applicable

*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	1.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.48	SMERA B+ / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.45	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4

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ABOUT SMERA

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