

Press Release

Innocoat Systems India Private Limited

May 08, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 5.25 Cr.
Long Term Rating	ACUITE BB-/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 5.25 crore bank facilities of Innocoat Systems India Private Limited (LMPL). The outlook is '**Stable**'.

Innocoat Systems India Private Limited (ISIPL) was established in the year of 2008 by Mr. Dilip Kumar Atoor and Mr. Sindhu Dilip Kumar as a private limited company engaged in powder coating on aluminium profiles such as door, windows, and channel among others. The company is based in Bangalore (Karnataka).

The upgrade is in view of the improvement in the business risk profile of the company backed by healthy profitability margins and moderate financial risk profile. The operating margin stood healthy at 13.69 per cent in FY2018 compared to 13.94 per cent in FY2017. The gearing of the company improved to 0.59 times in FY'2018 compared to 0.90 times in FY'2017. The Interest Coverage Ratio (ICR) stood comfortable at 5.64 times in FY2018 as against 4.69 times in FY2017

Analytical Approach

Acuite has considered the standalone business and financial risk profile of ISIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

The promoters of the company Mr. Dilip Kumar Atoor and Mr Sindhu Dilip Kumar have experience of more than a decade in aluminium industry through other organisation. The long track record has helped establish healthy relations with reputed customers and suppliers.

Moderate financial risk profile

The financial risk profile of the company is marked by low net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.5.63 crore in FY2018 as compared to Rs.4.38 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.59 times in FY2018 as against 0.90 times in FY2017. The total debt of Rs.3.35 crore consist of long term loan of Rs. 2.36 crore, short term debt of Rs.0.96 crore and unsecured loan from promoters of Rs.0.03 as on 31st March 2018. The interest coverage ratio (ICR) of the company stood healthy at 5.64 times in FY2018 as compared to 4.96 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 2.32 times in FY2018 as compared to 2.35 times in FY2017. The net cash accruals against the total debt stand comfortable at 0.49 times in FY2018 as compared to 0.27 times in FY2017. Acuite believes that the company will be able to maintain their financial risk profile over the medium term backed by steady accruals and no significant debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 162 days in 2017-18, as compared to 146 days in 2016-17. These high GCA days emanates from high debtor days of 90 in FY2018 compared to 103 days in FY2017. This high debtor is mainly due to inherent cyclicity of the industry. The inventory days stands comfortable at 22 in FY2018 as compared to 10 in FY2017.

Moderate scale of operation

Though the company started its operation since 2008, the revenue of the company stood moderate at Rs.17.70 crore in FY2018 as compared to Rs.12.61 crore in the previous year. Company has booked Rs.22.17 crore till 31st March 2019 (Provisional).

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 1.64 crore in FY2017-18, while its maturing debt obligation was Rs.0.23 crore during the same period. The moderate liquidity of the firm is also marked by 90-95 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 116 in FY 2018.

Outlook: Stable

Acuite believes that ISPL will maintain a stable outlook in the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues and net cash accruals while maintaining healthy profit margins. 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.70	12.61	9.17
EBITDA	Rs. Cr.	2.42	1.76	1.21
PAT	Rs. Cr.	1.24	0.85	0.67
EBITDA Margin	(%)	13.69	13.94	13.19
PAT Margin	(%)	6.98	6.73	7.33
ROCE	(%)	23.37	23.02	26.68
Total Debt/Tangible Net Worth	Times	0.59	0.90	0.50
PBDIT/Interest	Times	5.64	4.96	8.81
Total Debt/PBDIT	Times	1.38	2.22	1.44
Gross Current Assets (Days)	Days	116	127	151

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
30 th Nov 2018	Cash Credit	Long Term	1.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	2.48	ACUITE B+ (Indicative)
	Proposed Long Term	Short Term	0.12	ACUITE B+ (Indicative)
	Letter Of Credit	Short Term	1.45	ACUITE A4 (Indicative)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Indicative)
22 nd Sept 2017	Cash Credit	Long Term	1.00	ACUITE B+/Stable (Assigned)
	Term Loan	Long Term	2.48	ACUITE B+/Stable (Assigned)
	Proposed Long Term	Short Term	0.12	ACUITE B+/Stable (Assigned)
	Letter Of Credit	Short Term	1.45	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.48	ACUITE BB-/Stable (Upgraded)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB-/Stable (Upgraded)
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	1.45	ACUITE A4+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A4+ (Upgraded)

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About Acuité Ratings & Research:

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