

Press Release

Incotex Impex Private Limited

May 17, 2018

Rating Assigned



| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 6.75 crore |
| Long Term Rating | SMERA B+ / Outlook:Stable (Assigned) |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.6.75 crore bank facilities of Incotex Impex Private Limited. The outlook is '**Stable**'.

The Mumbai based, Incotex Impex Private Limited (IIPL), incorporated in 1995. The company is engaged in manufacturing and exporting of home textile products like bed sheets, cushion covers, curtains to name a few for other companies.

Key Rating Drivers

Strengths

Experienced management and in-house designers:

IIPL is managed by Mr. Arun Kumar Purusottamdas Todi who has experience of more than two decades in textile industry. Over the years, the company has been able to develop comfortable relationships with customers and suppliers. IIPL also have an in-house designer team which continuously monitors changing trends and updates the designs to serve its customers.

Moderate financial risk profile:

The financial risk profile is moderate marked by networth of Rs.3.46 crore as on March 31, 2017 enhanced from Rs.3.38 crore as on March 31, 2016. The debt to equity ratio increased from 1.83 times as on March 31, 2016 to 2.07 times as on March 31, 2017. Interest Coverage Ratio stood moderate at 1.18 times as on March 31, 2017 as compared to 1.17 times as on March 31, 2016. The DSCR stood at 1.13 times as on March 31, 2017 as compared to 1.14 times as on March 31, 2016.

Healthy operating margins:

The operating margin stood improved at 10.15 percent in FY2016-17 as compared to 8.42 percent in FY2015-16. However, the PAT margin is low due to high finance charges. PAT margin stood at 0.78 percent in FY2016-17 as compared to 0.44 percent in FY2015-16.

Weaknesses

Moderate scale of operations:

Despite commencing operations a decade back, the scale of operations is moderate. The company achieved operating income of Rs.9.67 crore for FY2016-17 as compared to Rs.9.01 crore for FY2015-16. Further, as informed by the management, revenue of Rs.11.50 crore is achieved in FY2017-18.

Working capital intensive nature of business:

The operations are working capital intensive marked by high Gross Current Asset days of 414 in FY2017, an increase from 395 days in FY2016. This is mainly on account of high inventory and debtor days of around 258 and 174 respectively as on March 31, 2017 as compared to 248 and 152 days respectively as on March 31, 2016. This is mainly due to inherent cyclicity in the textile industry, longer credit days to customers and blockage of fund in inventory.

Analytical approach:

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

Outlook – Stable

SMERA believes that IIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established relationships with its customers and suppliers. The outlook may be revised to 'Positive' if the company generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity – Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 9.67 | 9.01 | 7.59 |
| EBITDA | Rs. Cr. | 0.98 | 0.76 | 0.65 |
| PAT | Rs. Cr. | 0.08 | 0.04 | 0.01 |
| EBITDA Margin | (%) | 10.15 | 8.42 | 8.59 |
| PAT Margin | (%) | 0.78 | 0.44 | 0.20 |
| ROCE | (%) | 9.42 | 7.70 | 12.69 |
| Total Debt/Tangible Net Worth | Times | 2.19 | 1.18 | 0.44 |
| PBDIT/Interest | Times | 1.18 | 1.17 | 1.22 |
| Total Debt/PBDIT | Times | 7.30 | 8.14 | 8.46 |
| Gross Current Assets (Days) | Days | 414 | 395 | 431 |

Any other information:

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years):

None

*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 | 6.75 | SMERA B+/Stable (Assigned) |

**Sublimit facilities-*

Cash Credit facility against book debts-Rs. 2.00 crore;

Packing credit-Rs. 3.00 crore

FOBP/FOUBP/FOBNC/FOUBNC- Rs 3.00 crore

Contacts:

| Analytical | Rating Desk |
|---|--|
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ABOUT SMERA

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