

## Press Release

INA India Limited

September 05, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 40.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 40.00 crore bank facilities of INA India Limited (IIL). The outlook is '**Stable**'.

Incorporated in 1956, INA India Limited (IIL) is a public limited company engaged in manufacturing of formaldehyde. It is led by its managing director, Mr. Neeraj Chhabra along with other directors. The company has a capacity of producing formaldehyde at 180 tonnes per day and finished goods storage of 800 tonnes capacity. It caters to states like Andhra Pradesh, Tamil Nadu, Pondicherry, Kerala and Karnataka.

### Key Rating Drivers

#### Strengths

##### • Experienced management

IIL was incorporated in 1956 and is led by managing director, Mr. Neeraj Chhabra, technical director, Mr. Aseem Chhabra and director, Mrs. Ina Chhabra who collectively possess experience of more than three decade in manufacturing industry. Acuité believes that IIL will continue to benefit from its experienced management and established relationships with customers.

##### • Moderate scale of operations

The company has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 9.00 percent through the last four years ended 31 March, 2018 (Provisional). The company reported significant revenue growth of ~50 percent with operating income of Rs.86.28 crore in FY2018 (Provisional) as against operating income of Rs.57.44 crore in FY2017. The operating margins of the company remained moderate at around 8.10 percent in FY2018 (Provisional).

#### Weaknesses

##### • Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and gearing. The net worth of the company is moderate at around Rs.9.92 crore as on 31 March, 2018 (Provisional) as against Rs.7.54 crore as on 31 March, 2017. The gearing of the company has improved to around 1.98 times as on March 31, 2018 (Provisional) from 4.37 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.78 times as on 31 March, 2018 (Provisional) as against 6.28 times as on 31 March, 2017. The moderate revenue levels coupled with moderate operating margins have resulted in moderate debt protection measures. The Interest Coverage Ratio (ICR) remained moderate at 1.70 times in FY2018 (Provisional) and 1.64 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31 March, 2018 (Provisional) as against 0.07 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.63 times for FY2018 (Provisional) as against 1.60 times in FY2017. Acuité believes that the financial risk profile of IIL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

- **Intensive working capital operations**

The working capital management is marked by Gross Current Assets (GCA) of 237 days in FY2018 (Provisional) as against 250 days in FY2017. The company maintains inventory of around 60 days on an average and extends clean credit of around 30 to 60 days to its customers, resulting in high GCA days. The inventory and debtors levels stood at 95 and 92 days in FY2018 (Provisional) as against 120 and 126 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~70 per cent in the last six months. Acuité believes that the working capital requirements will continue to remain high over the medium term on account of its high inventory requirements to cater to orders.

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of IIL.

### **Outlook: Stable**

Acuité believes that IIL will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in IIL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

### **About the Rated Entity - Key Financials**

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	86.28	57.44	58.60
EBITDA	Rs. Cr.	6.99	6.54	5.30
PAT	Rs. Cr.	0.75	0.31	0.51
EBITDA Margin	(%)	8.10	11.38	9.04
PAT Margin	(%)	0.86	0.54	0.86
ROCE	(%)	15.12	12.09	9.82
Total Debt/Tangible Net Worth	Times	1.98	4.37	3.90
PBDIT/Interest	Times	1.70	1.64	2.06
Total Debt/PBDIT	Times	2.77	4.94	5.20
Gross Current Assets (Days)	Days	237	250	189

### **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-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### **Note on complexity levels of the rated instrument**

<https://www.acuite.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	25.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE BB- / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.36	ACUITE BB- / Stable (Assigned)

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**About Acuité Ratings & Research:**

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