

Press Release

Indoline Industries Private Limited

February 25, 2022



Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.16	ACUITE B+ Withdrawn	-
Bank Loan Ratings	19.75	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	5.25	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.16	-	-

*Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+** (read as ACUITE B plus) and the short-term rating of '**ACUITE A4**' (read as ACUITE A four) on the Rs.25.00 Cr bank facilities of Indoline Industries Private Limited (IIPL). The outlook is '**Stable**'.

Acuité has also withdrawn the long-term rating of '**ACUITE B+** (read as ACUITE B plus) on the Rs.0.16 crore bank facilities of IIPL as per the withdrawal request from IIPL and no dues certificate from banker in accordance with Acuité withdrawal Policy.

Rationale for rating reaffirmation

The reaffirmation in the rating reflects the long track record of operations of the company & experienced management and adequate liquidity position. The rating, however, continues to remain constrained on account of low revenues in FY2021, working capital intensive operations and average financial risk profile marked by poor gearing, low net worth & moderate debt protection metrics.

About the Company

Maharashtra-based, IIPL was incorporated in 1987. The company is engaged in manufacturing of all types of wooden furniture including modular kitchens, wardrobes, bedroom furniture, hotel and household furniture. The company also offers various finishes like Laminate, Acrylic, UV Lacquer, PU Lacquer, PVC Membrane, Veneer, Solid Wood and Back Painted Glass etc. The company is promoted by Mr. Husain Sultan Ali Nensey, Mr. Saif Husain Nensey, Mrs. Nissa Husain Nensey and Mr. Adnan Latif Nensey. The manufacturing facilities are located at Ambad, Nashik and Dindori.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of IIPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced management and established track record of operations

The promoters, Mr. Husain Sultan Ali Nensey, Mr. Saif Husain Nensey, Mrs. Nissa Husain Nensey and Mr. Adnan Latif Nensey, have over three decades of experience in the said line of business. The extensive experience, coupled with long track record of operations, has enabled the company to forge healthy relationships with customers and suppliers. The company exports to countries such as UAE, Kenya and USA, however export accounts for only 10 percent of the total sales.

Acuité believes that the business is expected to benefit from its established presence in the aforementioned industry and the directors' demonstrated ability.

Weaknesses

>Working capital intensive operations

IIPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 217 days in FY2021 against 170 days in FY2020. The inventory days stood at 131 days in FY2021 against 116 days in FY2020. The company maintains an inventory holding policy of 1.5-2 months. However, the inventory days have increased in FY2021, since there were large customized orders due to which more materials were procured based on client's requirements and there were some unsold inventory of finished goods due to the impact of covid-19. The debtors' days stood at 78 days in FY2021 against 48 days in FY2020. The Company gets 50% advance from customer at the time of order confirmation and 50% is recovered before dispatch. The credit period given to customers ranges from 30 days to 60 days. The creditors' days stood at 235 days in FY2021 against 175 days in FY2020. However, working capital limits remains utilized at 70-80 percent for last 6 months ended January, 2022.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

>Average financial risk profile

Financial risk profile of IIPL is average marked by poor gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), low net worth and moderate debt protection metrics. The gearing stood at 2.17 times as on March 31, 2021 against 1.90 times as on March 31, 2020. TOL/TNW stood at 8.09 times as on March 31, 2021 against 6.20 times as on March 31, 2020. Tangible net worth of the company stood low at Rs.5.06 crore as on March 31, 2021 against Rs.5.62 crore as on March 31, 2020. Of the total debt of Rs.11.00 crore as on March 31, 2021, long-term debt stood at Rs.2.13 crore, short-term debt stood at Rs.5.88 crore, unsecured loans stood at Rs.2.00 crore and CPLTD stood at Rs.0.99 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 2.78 times and 0.13 times respectively in FY2021; while DSCR stood at 1.55 times in FY2021.

Acuité believes that the financial risk profile of the company is expected to remain at similar levels on account of modest net worth and low net cash accruals and timely support from promoters in the form of fund infusion will be critical for maintaining stable credit profile.

>Highly competitive industry and foreign currency fluctuation risk

The company operates in a highly competitive nature of industry marked by various organized and unorganized players present in the market. The company also undertakes exports and no hedging mechanism is used to safeguard the same. Any adverse impact of foreign currency fluctuation will have an impact on the margins of the company.

However, Acuité believes that extensive experience of promoters in the furniture industry and exports contributing to only 10 percent of the revenues will mitigate such risk to a certain extent.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.

- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

IIPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.1.44 crore – Rs.2.63 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.52 crore – Rs.0.99 crore during the same period. It is expected to generate cash accruals in the range of Rs.2.61 crore – Rs.4.45 crore over the medium term, against moderate repayment obligations in the range of Rs.0.18 crore – Rs.1.08 crore. Unencumbered cash and bank balances stood at Rs.0.99 crore as on March 31, 2021 with a current ratio of 0.91 times in the same period. Liquid investments stood at Rs.0.42 crore as on March 31, 2021. However, working capital limits remains utilized at 70-80 percent for last 6 months ended January, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that IIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	54.63	58.14
PAT	Rs. Cr.	0.18	(1.28)
PAT Margin	(%)	0.32	(2.20)
Total Debt/Tangible Net Worth	Times	2.17	1.90
PBDIT/Interest	Times	2.78	1.10

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Dec 2020	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	3.25	ACUITE A4 (Assigned)
	Term Loan	Long Term	0.16	ACUITE B+ Stable (Assigned)
	Proposed Bank Facility	Long Term	13.24	ACUITE B+ Stable (Assigned)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Assigned)
	Working Capital Demand Loan	Long Term	0.83	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	0.29	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	2.23	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bills Discounting	Not Applicable		Not Applicable	2.00	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable		Not Applicable	3.00	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.59	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	29-09-2016	10.25	01-05-2022	0.12	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	06-10-2018	10.60	01-04-2024	1.69	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	21-10-2020	10.35	31-03-2021	0.16	ACUITE B+ Withdrawn
Indian Bank	Not Applicable	Working Capital Demand Loan (WCDL)	20-04-2020	8.10	15-09-2023	0.60	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	31-03-2021	7.50	01-04-2025	1.11	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	28-12-2021	7.50	28-01-2027	0.64	ACUITE B+ Stable Reaffirmed

Note: Withdrawal amount not included in total facilities rated.

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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