

Press Release

Indoline Industries Private Limited

April 25, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE B+ Stable Reaffirmed	-
Bank Loan Ratings	8.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 17 Cr bank facilities and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.8.00 Cr bank facilities of Indoline Industries Private Limited (IIPL). The outlook is '**Stable**'.

Rationale for the rating

The reaffirmation in the rating reflects the long track record of operations of the company & experienced management, adequate liquidity position and business relations with branded OEMs like Godrej. The rating, however, continues to remain constrained on account of Improved yet Intensive Working Capital Management and negative margins, average financial risk profile and Stiff competition with the peers.

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

Acuite 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

Intensive Working Capital Management

IPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 197 days in FY 2022 against 217 days in FY2021. The inventory days stood at 112 days in FY 2022 against 131 days in FY2021. The debtors' days stood at 81 days in FY 2022 against 78 days in FY2021. The creditors' days stood at 193 days in FY 2022 against 235 days in FY2021. However, working capital limits remains utilized at 62.43 percent for last 10 months ended February 2023.

Stiff competition from peers

The company is facing immense competition from its peers, as a result of which the company is unable to improve its margins even when there is slight improvement in the operating revenue. Due to the aforesaid factor, the overall profitability of the company is being impacted as a whole.

Rating Sensitivities

- Growth in revenue and profitability margins.
- Any deterioration in its financial risk profile on account of dip in revenue or profitability.
- Any elongation of the working capital cycle leading to deterioration in liquidity profile.

Material covenants

None

Liquidity Position

Adequate

Current position of cash accruals is at Rs.1.44 crore in FY2022 against moderate repayment obligations of Rs.0.99 crore, further. Unencumbered cash and bank balances stood at Rs.0.14 crore as on March 31, 2022 against Rs.0.99 crore as on March 31, 2021 with a current ratio of 0.93 times in the same period. Liquid investments stood at Rs.0.41 crore as on March 31, 2022. However, working capital limits remains utilized at 62.43 percent for last 10 months ended February 2023.

Outlook: Stable

Acuité believes that IPL 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.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

Note: The 7.5% cumulative redeemable preference shares of Rs. 8.39 Cr. is treated as quasi equity in FY22 onwards as the tenure of CRPS is 20 Years and hence the funds will remain in the business for a long horizon.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	74.88	54.63
PAT	Rs. Cr.	(0.01)	0.18
PAT Margin	(%)	(0.01)	0.32
Total Debt/Tangible Net Worth	Times	2.27	2.45
PBDIT/Interest	Times	2.55	2.78

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Feb 2022	Term Loan	Long Term	1.69	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.59	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.11	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.16	ACUITE B+ (Withdrawn)
	Letter of Credit	Short Term	3.25	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.60	ACUITE B+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.64	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B+ Stable (Assigned)

08 Dec 2020	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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.22	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.07	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	0.21	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.86	ACUITE B+ Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.64	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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