

May 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit*	6.00	SMERA B/Stable (Assigned)
Packing Credit*	6.00	SMERA A4 (Withdrawn)
Letter of Credit	2.25	SMERA A4 (Reaffirmed)
Standby Limit	1.20	SMERA A4 (Reaffirmed)

**Includes Post Shipment Credit as a sublimit to the extent of Rs.1.00 crore*

SMERA has assigned rating of '**SMERA B**' (read as **SMERA B**) on the Rs.6.00 crore long-term (fund-based) bank facility and reaffirmed the rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.3.45 crore short term (non-fund based) bank facilities of Indigo Collections Private Limited (ICPL). The outlook is '**Stable**'. SMERA has withdrawn the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facility of ICPL. The long term rating is assigned at the request of the banker and accordingly short term rating is withdrawn.

The ratings continue to be constrained by the company's small scale of operations, low profitability and capital intensive business. Further, the ratings also factor in the company's exposure to intense competition in the textile industry. However, the ratings draw support from the experienced management and moderate financial risk profile.

Update

ICPL's net sales have increased from Rs.28.01 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.29.71 crore in FY2014-15 on account of increase in repeat orders from customers. The profitability profile of the company has eroded evident from decline in operating margins from 7.65 per cent in FY2013-14 to 2.68 per cent in FY2014-15. The net profit margin fell from 0.40 per cent in FY2013-14 to -3.10 per cent in FY2014-15 due to increase in material cost and fixed overheads. The company's operations are capital intensive evident from the gross current assets (GCA) of 208 days in FY2014-15 as against 213 days during the previous year.

ICPL faces intense competition from the unorganized sector of the readymade garments industry.

However, the company continues to benefit from its experienced management. Mrs. Upma Chandra, the Managing Director, has around two decades of experience in the abovementioned line of business. The company's financial risk profile continues to remain moderate evident from the leverage of 1.05 times as on March 31, 2015.

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Outlook- Stable

SMERA believes ICPL will maintain a stable business risk profile in the medium term owing to its experienced management and established association with customers. The outlook may be revised to 'Positive' if the company expands its scale of operations while registering better profit margins and achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure or prevalence of adverse economic conditions in the key markets.

About the Company

ICPL, established in 2001 is a Gurgaon-based company promoted by Ms. Upma Chandra. The company is engaged in the manufacture and export of garments for women and children. It caters to customers in USA, Europe and UAE. The total debt of Rs.13.56 crore (as on March 31, 2015) includes non-interest bearing unsecured loans of Rs.5.60 crore from promoters, friends and relatives that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

For FY2014-15, ICPL reported profit after tax (PAT) of Rs.(0.92) crore on operating income of Rs.29.71 crore, as compared with PAT of Rs.0.11 crore on operating income of Rs.28.01 crore in the previous year. The company's net worth stood at Rs.7.58 crore as on March 31, 2015, as compared with Rs.8.85 crore a year earlier.

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