

March 27, 2014

Facilities	Amount (Rs. Crore)	Rating
<b>Packing Credit</b>	<b>9.50</b>	<b>SMERA BBB/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>0.35</b>	<b>SMERA A3+ (Assigned)</b>
<b>Letter of Guarantee</b>	<b>0.15</b>	<b>SMERA A3+ (Assigned)</b>
<b>Packing Credit (proposed)</b>	<b>10.00</b>	<b>SMERA BBB/Stable (Assigned)</b>

SMERA has assigned ratings of '**SMERA BBB** (read as SMERA triple B) to the Rs.19.50 crore long-term bank facilities and '**SMERA A3+** (read as SMERA A three plus) to the Rs.0.50 crore short-term bank facilities of Indeutsch Industries Private Limited (IIPL). The outlook is '**Stable**'. The ratings derive support from the company's long operational track record, experienced management and healthy revenue growth in the recent years. The ratings are further supported by the company's comfortable financial risk profile marked by low leverage, comfortable coverage indicators and healthy profit margins. However, the ratings are constrained by the company's modest scale of operations in a highly competitive industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices.

IIPL, incorporated in 1987, is a Delhi-based company engaged in manufacturing and export of brushes, brush components and canvas. IIPL benefits from its experienced management. Mr. R. C. Jain, director of IIPL, is a qualified engineer with around two decades of experience in the brushes and canvas industry. IIPL's revenues increased at a healthy compound annual growth rate (CAGR) of 15 per cent during FY2008-09 to FY2012-13. The company has a comfortable financial risk profile marked by low leverage, strong coverage indicators and healthy profit margins. IIPL's leverage stood at 0.27 times as on March 31, 2013. The company has strong coverage indicators, as reflected in interest coverage ratio and cash DSCR of 11.88 times and 7.04 times respectively in FY2012-13. IIPL reported healthy operating profit margins of 11.75 per cent in FY2011-12 and 14.28 per cent in FY2012-13. Further, the company registered healthy net profit margins of 6.28 per cent in FY2011-12 and 8.98 per cent in FY2012-13.

IIPL has a moderate operating scale, as reflected in revenues of Rs.75.94 crore for FY2012-13. The company's profit margins are susceptible to volatility in prices of key inputs, which include natural and synthetic hair, cotton fabric, wooden handles, particle boards and pipes.

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## Outlook: Stable

SMERA believes that IIPL will continue to benefit over the medium term from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company scales up its operations while maintaining profit margins and liquidity position at comfortable levels. The outlook may be revised to 'Negative' in case sharp deterioration in the company's profit margins or liquidity position.

## About the company

IIPL (formerly known as Indeutsch Scholten Private Limited) is a Noida-based company incorporated in 1987. IIPL is engaged in manufacturing and export of brushes, brush components and canvas. The company's product range includes school brushes, artist brushes, cosmetic brushes, brush components and canvases. IIPL caters to customers based in USA, Germany, France, Canada, United Kingdom, Italy, Japan and Australia. The company has a manufacturing unit in Noida Special Economic Zone, Noida.

For FY2012-13, IIPL reported PAT of Rs.6.82 crore on total operating income of Rs.75.94 crore, as compared with PAT of Rs.3.80 crore on total operating income of Rs.60.49 crore for FY2011-12. IIPL's net worth stood at Rs.32.91 crore as on March 31, 2013, as compared with Rs.26.09 crore a year earlier.

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