

June 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	12.00#	SMERA BBB+/Stable (upgraded from SMERA BBB/Stable)
Letter of Credit	0.35	SMERA A2 (upgraded from SMERA A3+)
Letter of Guarantee	0.15	SMERA A2 (upgraded from SMERA A3+)
Proposed Packing Credit	7.50	SMERA BBB+/Stable (upgraded from SMERA BBB/Stable)

#Fully interchangeable with EBP/EBD/EBN/EBRD

SMERA has upgraded the ratings of Indeutsch Industries Private Limited (IIPL) to '**SMERA BBB+** (read as SMERA triple B plus) and '**SMERA A2**' (read as SMERA A two) from 'SMERA BBB' (read as SMERA triple B) and 'SMERA A3+' (read as SMERA A three plus). The outlook is '**Stable**'. The rating upgrade reflects the robust financial risk profile of the company. IIPL's ratings continue to draw comfort from the company's long track record of operations, stable margins and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to raw material price volatility. The ratings also note that the company faces intense market competition.

Update

IIPL reported net profit of Rs.6.95 crore on operating income of Rs.81.56 crore in FY2013-14, as compared with net profit of Rs.6.82 crore on operating income of Rs.75.94 crore in the previous year. Further, the company registered operating income of Rs.90.80 crore (provisional) for the period FY2014-15. IIPL's net worth stood at Rs.39.25 crore as on March 31, 2014, as against Rs.32.91 crore a year earlier.

IIPL's operating margins stand healthy at 14.46 per cent in FY2014-15. While the profit margins of the company have remained stable, it may be noted that they are susceptible to volatility in prices of key inputs including natural and synthetic hair, cotton fabric, wooden handles to name a few. Besides, the company faces intense competition from unorganised market players as well as imports. IIPL's capacity utilisation (brush heads and ferrules) stood at around 60 per cent for FY2014-15. The company set up a new metallic ferrule manufacturing unit (additional capacity of 25,000 ferrules per day) in FY2014-15 taking the total metallic ferrule manufacturing capacity to 63 million units per annum from 54 million units per annum. The capex of around Rs.1.00 crore has been funded by internal accruals.

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The financial risk profile of IIPL continued to remain healthy in FY2013–14. The debt-to-equity ratio improved to 0.22 times as on March 31, 2014 from 0.27 times as on March 31, 2013 in the absence of any major long term debt (only vehicle loan of around Rs. 0.75 crore). Interest coverage indicators are robust at ~12 times. IIPL has received an enhancement in working capital facilities from Rs.10.00 crore to Rs.12.50 crore in April 2015 due to growth in operations which is expected to enhance the liquidity position of the company. The average utilization of its working capital facilities was 92.25 per cent during the period October 2014 to March 2015.

IIPL benefit 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.

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' if the company's scale of operations increases substantially, while maintaining its operating profitability and liquidity position at comfortable levels. Conversely, the outlook may be revised to 'Negative' if IIPL fails to achieve the scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

IIPL (formerly Indeutsch Scholten Private Limited), incorporated in 1987, is a Noida-based company engaged in the manufacture and export of brushes, brush components and canvas. The company's manufacturing unit is in Noida.

IIPL's product range includes school brushes, artist brushes, cosmetic brushes, brush components and canvases and caters to customers in USA, Germany, France, Canada, United Kingdom, Italy, Japan and Australia.

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