

Indeutsch Industries Private Limited: Reaffirmed

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

#fully interchangeable with EBP/EBD/EBN/EBRD

SMERA has reaffirmed the ratings of **'SMERA BBB+' (read as SMERA triple B plus)** and **'SMERA A2' (read as SMERA A two)** on the abovementioned bank facilities of Indeutsch Industries Private Limited (IIPL). The outlook is **'Stable'**.

The ratings of IIPL continue to draw comfort from the company's long track record of operations, stable business risk profile as also healthy financial risk profile. However, the ratings are constrained by the susceptibility of profit margins to raw material price volatility and intense market competition.

Update

IIPL reported net profit of Rs.7.03 crore on operating income of Rs.94.58 crore in FY2014-15, as compared with net profit of Rs.6.95 crore on operating income of Rs.81.56 crore in the previous year. Further, the company registered operating income of Rs.85.60 crore (provisional) for FY2015-16. The net worth stood at Rs.46.21 crore as on March 31, 2015, as compared with Rs.39.25 crore a year earlier.

IIPL's operating margins stood healthy at 12.87 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.

The financial risk profile of IIPL continued to remain healthy in FY2014-15. The debt-to-equity ratio stood at 0.27 times as on March 31, 2015 from 0.22 times as on March 31, 2014 in the absence of any major long term debt. The interest coverage indicators are robust at ~9.13 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 increase in operations which is expected to enhance the liquidity position of the company. The average utilisation of working capital facilities was 84.26 per cent during January 2016 to June 2016.

IIPL benefits from its experienced management. Mr. R. C. Jain, Director, is a qualified engineer with around two decades of experience in the brushes and canvas industry.

Rating Sensitivity Factors

- Margins susceptible to raw material price fluctuation
- Efficient working capital management
- Delay in project execution

Outlook: Stable

SMERA believes that IIPL will continue to maintain a stable outlook over the medium term owing to 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 scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 located at Noida.

IIPL's product range includes school brushes, artist and cosmetic brushes among others. The company caters to customers in USA, Germany, France, and Canada to name a few.

For FY2014-15, IIPL registered profit after tax (PAT) of Rs.7.03 crore on operating income of Rs.94.58 crore as against profit after tax of Rs. 6.95 crore on operating income of Rs. 81.56 crore in FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating/ Outlook
			Long Term	Short Term	
02 June, 2015	Packing Credit	12.00#	SMERA BBB+	-	Stable
	Proposed Packing Credit	7.50	SMERA BBB+	-	Stable
	Letter of Credit	0.35	-	SMERA A2	-
	Letter of Guarantee	0.15	-	SMERA A2	-
27 March, 2014	Packing Credit	9.50	SMERA BBB	-	Stable
	Proposed Packing Credit	10.00	SMERA BBB	-	Stable
	Letter of Credit	0.35	-	SMERA A3+	-
	Letter of Guarantee	0.15	-	SMERA A3+	-

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ABOUT SMERA

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