

Rating Rationale

Brickwork Ratings assigns 'BWR B-' for the Bank Loan Facilities aggregating to ₹ 8.89 Cr of Indotech Industries (I) Private Limited

Brickwork Ratings has assigned following **Rating**¹ for the Bank Loan Facilities of Indotech Industries (I) Private Limited. ('IIPL' or the 'Company').

Facility	Amount	Tenor	Rating Proposed
Term Loan	1.11	Long Term	BWR B- (Pronounced BWR B Minus) Outlook:stable
FBWC	5.50		
Bank Guarantee	2.28	Short Term	BWR A4 (pronounced BWR A four)
Sub Limit: Letter of Credit	(1.00)		
Total	8.89	(INR Eight Crores And Eighty Nine Lakhs)	

Rating Mandate is for Rs. 11.83Cr. Rating was carried out for amount of Rs. 8.89 Cr., as the outstanding portion of term loan was considered for this purpose.

BWR has essentially relied upon audited financial results of FY12, FY13, FY14 and FY15, projections up to FY17, publicly available information and information provided by the company management.

The rating has, inter alia, factored in the experience and competence of the company management. The rating also derives strength from a joint venture with Danobat Group, a well-known international company in machine tool manufacturing. The rating is, however, constrained by decline in revenue, company's thin profitability margins, weak debt protection metrics and moderate working capital cycle.

Background:

Based at Indore, Indotech Industries (I) Private Limited (IIPL), incorporated on October 2004 is promoted by Mr. Vijay Kasat and Mr. Rahul Modi. The company is engaged in the manufacture of metal cutting band saw machines. It also manufactures dedicated application metal cutting band saw machines and vertical band saw machines. The company has two units, one at Indore and other at Dewas in Madhya Pradesh, with combined capacity of manufacturing 200-250 machines p.a.

Management:

The company is managed by Mr. Vijay Kasat, Executive Director and by Mr. Rahul Modi, Executive Director. Both the directors are adequately experienced.

Financial Performance:

Based on audited financials for FY15, IIPL's total operating income declined from ₹ 14.05 Crs in FY14 to ₹ 13.04 Crs in FY15, resulting in to decrease in top line by ~7.18%. While the company

¹ Please refer to www.brickworkratings.com for definition of the Ratings

has been incurring cash losses over the past three years owing to high interest costs, its Operating Profit Margin improved from 4.02% in FY14 to 8.69% in FY15. The company is highly leveraged with substantial unsecured loans from promoters and other related parties. Its has also reported weak interest and debt coverage ratios in FY15. Working Capital Cycle deteriorated from 188 days in FY14 to 241 days.

Rating Outlook:

Rating Outlook takes into account the company's low profit margins, declining revenue and high working capital cycle. Going forward, increase in scale of operations, improvement in profitability margins and improvement in working capital cycle would remain the key rating sensitivities.

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