

## Indo Fabrics

November 15, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	13.84	CARE D (Single D)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
<b>Total bank facilities</b>	<b>13.84</b> <b>(₹ Thirteen Crore and Eighty-Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Indo Fabrics (IFB) factors in delays in servicing debt obligations due to stressed liquidity position. The rating continues to be constrained by small scale of operations, moderate capital structure, weak debt protection metrics, highly competitive industry and proprietorship constitution of the entity with inherent risk of withdrawal of capital.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in liquidity position with satisfactory track record of timely servicing of debt obligations.

### Detailed description of the key rating drivers

#### Key rating weaknesses

#### On-going delays in debt servicing

The firm is unable to generate sufficient cash flows leading to stretched liquidity position resulting in on-going delays in meeting its term loan debt obligations.

#### Small scale of operations

The scale of operations remained small ranging from Rs. 39 crore to Rs. 49 crore over past three years ended FY22. The firm booked income of Rs. 24.50 crore in 7mFY23(Prov.) (refers to the period April 01 to October 31).

#### Leveraged capital structure and weak debt coverage indicators

The capital structure of the firm remained leveraged with overall gearing of 4.38x as of March 31, 2022 as against 3.99x as of March 31, 2021 due to maximum utilisation of working capital limits. The debt coverage indicators remained weak with total debt/GCA of 20.96x as of March 31, 2022 as against 22.78x as of March 31, 2021.

#### Constitution of a proprietorship concern with risk of withdrawal of capital

Proprietorship nature of business has an inherent risk of withdrawal of capital by the proprietor at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. It is witnessed that the promoter has withdrawn capital to tune of Rs. 0.63 crore as of March 31, 2022 for personal contingencies.

#### Highly competitive industry with intense competition

Since large number of units are operated in similar line of business, the competition within the players remains very high resulting in high fragmentation. The firm is facing high competition from many organized and unorganized players in the industry. Apart from the high competition from the local players, firm is facing the competition from established players in domestic and international market in terms of reputed brands, long track record etc.

#### Liquidity- Poor:

Liquidity is poor marked with lower accruals to tune of Rs. 0.97 crore in FY22 to repay its term debt obligation of Rs. 1.07 crore in FY23 with modest cash balance of Rs. 0.11 crore as of March 31, 2022. The firm has been sanctioned with cash credit of Rs. 12 crore and the average utilisation of working capital limit stood at 97% for last twelve months ended September 2022.

#### Analytical approach: Standalone

#### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Cotton Textile](#)

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## About the firm

Indo Fabrics (IFB) is a proprietorship concern established in the year 1999 by Mrs. Indumathi. The firm is primarily engaged in the manufacture of grey fabrics. Mrs. Indumathi is supported by her husband Mr. Palanisamy in handling the operations. IFB has two divisions namely sizing division and weaving division. It has 36 sulzer looms in the weaving division and 700 power looms. As of September 2021, IFB has installed capacity of 2500 kg/day for yarn sizing and 13 lakh meter/month for manufacturing of grey fabrics. The firm has its manufacturing unit at Sommanur, Coimbatore.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	7mFY23(P)
Total operating income	39.97	46.52	24.50
PBILDT	3.09	2.97	NA
PAT	0.37	0.48	NA
Overall gearing (times)	3.99	4.38	NA
Interest coverage (times)	1.37	1.48	NA

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE D
Fund-based - LT-Term Loan		-	-	August 2026	1.84	CARE D

### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	1.84	CARE D	-	1)CARE B+; Stable (22-Sep-21) 2)CARE B; Stable; ISSUER NOT COOPERATING * (29-Jun-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (18-May-20)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (02-Apr-19)
2	Fund-based - LT-Cash Credit	LT	12.00	CARE D	-	1)CARE B+; Stable (22-Sep-21) 2)CARE B; Stable; ISSUER NOT COOPERATING * (29-Jun-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (18-May-20)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (02-Apr-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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#### About us:

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