

MAY 13, 2015

**CARE ASSIGNS 'CARE BBB-' AND 'CARE A3' RATINGS TO THE BANK FACILITIES OF
INDIGO PAINTS PRIVATE LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	5	CARE BBB- / CARE A3 [Triple B Minus] / [A Three]	Assigned
Total Facilities	5		

Rating Rationale

The ratings assigned to the bank facilities of Indigo Paints Private Limited (IPPL) derive strength from experienced and qualified promoters and comfortable capital structure led by strategic investor (SI) infusion leading to improvement in capital structure and a healthy revenue growth. The ratings are further strengthened by established pan-India distributor network, proximity to raw material source resulting in input freight benefit and implementation of an efficient information technology infrastructure resulting in effective streamlining of operations.

The ratings, however, are constrained by IPPL's relatively small scale of operations, subdued operating profitability on the back of high advertisement expenditure in FY14 (refers to the period April 1 to March 31) and 9MFY15 (refers to the period April 1 to December 31), working capital-intensive nature of operations and intense competition in the Indian paints segment.

The ability of the company to increase its scale of operations and improve its profitability coupled with continued financial support from the private equity are the key rating sensitivities.

Background

Indigo Paints Private Limited (IPPL) is a Pune based company incorporated in March 2000. The company is spearheaded by Mr Hemant Jalan in the strength of Managing Director (MD). IPPL is engaged in manufacturing and sales of 'water based' decorative paints including exterior emulsions, interior emulsions, acrylic laminate, metallic emulsion, tile coat, bright ceiling coat, roof coat emulsion, floor coat emulsion, polymer putty, primers (WT Cement Primer, Exterior wall primer, WB Wood Primer, WB Red oxide Metal Primer), cement paints and distemper (acrylic distemper). The company operates out of two of its manufacturing facilities located in Jodhpur, Rajasthan and Rehla in Jharkhand and has well diversified depots at 22 locations spread across India and sells various products under the brand name 'Indigo'. The company has a total installed capacity of 55,845 tonnes per annum (MTPA) as on March 31, 2014.

During FY14, the company reported a total operating income of Rs.77.38 crore and PBILDT of Rs.3.11 crore and PAT of Rs.0.36 crore as against a total operating income of Rs. 54.49 crore and PBILDT of Rs.2.67 crore and PAT of Rs.0.58 crore in FY13.

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691