



## Indag Rubber Limited

### Rating History

	Amount Rated (Rs. Crore)	Amount Outstanding (Rs. Crore)	Rating Outstanding	Previous Rating
			October 2011	July 2010
Long Term Fund Based Limits	14.50	-	[ICRA]A+ (Stable)	[ICRA]A (Stable)

ICRA has upgraded the rating of Rs.14.50 crore<sup>1</sup> fund based facilities of Indag Rubber Limited (IRL)† from [ICRA] A (pronounced ICRA A) to [ICRA] A+ (pronounced ICRA A plus) rating on long term scale. The rating has been assigned a stable outlook.

The rating upgrade primarily factors in company's exhibited ability to reasonably pass on the raw material prices to its customers in wake of surging rubber prices thereby guarding its profitability to an extent and management's calibrated approach towards assuming capex which helps maintain healthy capital structure. Further, the rating continues to derive strength from more than three decades of experience of the management in the tyre retreading industry, the locational advantages resulting in tax concessions, and strong distribution network. The rating also continues to derive comfort from IRL's strong financial profile as characterised by healthy profitability and return indicators. This coupled with limited debt has resulted in comfortable capital structure and debt protection metrics. However the rating continues to be constrained by high competitive intensity owing to fragmented nature of the tyre retreading industry, potential threat from cheaper Chinese tyres, company's limited presence in alternative growth belts of Southern and Western India, and susceptibility of the company's profitability to volatility in raw material prices. The rating also continues to be inhibited by vulnerability of a portion of IRL's revenues to the tendering process. Going forward, in light of limited capex plans ICRA expects the capital structure of the company to remain comfortable. The company's ability to achieve satisfactory sales volumes while protecting its margins would remain a key rating sensitivity.

### Company Profile

Indag Rubber Limited (IRL) was incorporated in July 1978 as a joint venture between Khemka group and M/S Bandag Incorporated, USA, one of the biggest players in the US retreading industry. The company got itself listed on the Bombay stock Exchange in 1984. In 2006, the above joint venture was terminated with Bandag's shareholding being taken over by the Khemka Group. The company is engaged in providing retreading material ranging from pre-cured retreaded rubber strip to other retreading accessories like envelopes. IRL sells its products through its dealer and retreader network spread across India. This apart, it also routes its sales to State Transport Units. IRL has one manufacturing plant in India with an installed capacity of ~14000 MT per annum.

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