

June 28, 2024

## Indore Composite Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – Fund based	72.50	45.00	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Short-term – Non-fund based	50.40	104.90	[ICRA]A2+; reaffirmed
Long-term/Short-term – Unallocated	27.10	0.10	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
<b>Total</b>	<b>150.00</b>	<b>150.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of the ratings factor in the established position of Indore Composite Private Limited (ICPL) in manufacturing fibre reinforced plastic (FRP) rods used in the telecom industry, the extensive experience of the promoters and its established relationship with a reputed client base resulting in repeat orders. The ratings also factor in healthy financial risk profile of ICPL with healthy margins, comfortable leverage and coverage metrics. The company reported operating margins of 25.1% in FY2023 and the margins are expected to be at similar levels in FY2024. The capital structure was comfortable with gearing of 0.2 times as on March 31, 2023, and healthy coverage metrics with interest coverage of 32 times, total debt/OPBDITA of 0.6 times for FY2023. The leverage and coverage metrics are estimated to remain healthy in FY2024.

The operating income on a consolidated basis witnessed significant decline in FY2024 and estimated to be ~Rs.300 - 310 crore declining from Rs. 528 crore in FY2023 owing to significant reduction in realisations on account of reduction in key raw material prices i.e. glass and resin. However, the revenues are expected to witness significant growth in FY2025 supported by expected healthy growth in volumes.

The ratings are, however, constrained by the working capital-intensive operations owing to high debtor days. Further, the profitability remains exposed to fluctuations in raw material prices. In addition, given that the company is largely export-oriented, its profitability remains exposed to the volatility in foreign exchange prices, mitigated to an extent by the natural hedge from imports and the hedging policy adopted by the company. ICRA also notes the fragmented nature of the FRP rods industry with low entry barriers and competition from both organised and unorganised players.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the company will continue to benefit from its established position as a supplier of FRP products in the export markets and will continue to maintain healthy operating margins.

### Key rating drivers and their description

#### Credit strengths

**Established track record of operations in manufacturing FRP rods** - The company has a track record of manufacturing FRP rods for the telecom industry for more than two decades. The company is promoted by the Sanghvi and Bhanshali families and the operations are managed by Mr. Mukesh Sanghvi, who has an extensive experience in the industry. The company is one of the major players in the FRP rods manufacturing industry with an installed capacity of 4.4 million km in India.

**Reputed client base with established relationships** - The company has had an established relationship with its reputed customer base for more than a decade. It is able to get repeat orders and improve its market presence. It primarily exports to USA and Europe. The export revenues contributed to ~90% of the sales in the last few years.

**Comfortable financial risk profile** - The company reported operating margins of 25.1% in FY2023 and the margins are expected to be at similar levels in FY2024. The capital structure was comfortable with gearing of 0.2 times as on March 31, 2023. The coverage metrics were also healthy with interest coverage of 32 times and total debt/OPBDITA of 0.6 times for FY2023. The leverage and coverage metrics are estimated to remain healthy in FY2024 as well. The operating income, on a consolidated basis, witnessed a significant decline in FY2024. It is estimated to have fallen to ~Rs. 300-310 crore in FY2024 from Rs. 528 crore in FY2023 as a drop in the prices of key raw materials - glass and resin – pulled down the realisations. However, the revenues are expected to witness significant growth in FY2025, supported by healthy growth in volumes.

### Credit challenges

**High working capital intensity** - The business is highly working capital-intensive with NWC/OI of 27.6% in FY2023 owing to the high debtor days. The credit period varies depending on the terms of the contracts with the customers. Usually, a credit period of 60 days is given. The inventory holding period is 30-60 days. However, the company has a credit risk policy with insurance companies, which insulates it from the risk of facing any bad debt.

**Vulnerability of profitability to volatility in raw material prices and forex risk** - The profitability remains exposed to fluctuations in raw material prices. The major raw materials are glass and resin with an 80:20 mix in the final product. Moreover, the company is largely export-oriented, exposing its profitability to the volatility in foreign exchange prices, mitigated to an extent by the natural hedge from imports and the hedging policy adopted by the company.

**Fragmented industry with intense competition** - The FRP rods industry is fragmented in nature with low entry barriers due to low initial investments. Further, the company faces competition from both organised and unorganised players. However, the company is one of the major players in the FRP rod manufacturing industry.

### Liquidity position: Adequate

The liquidity position is expected to remain adequate, with healthy cash accruals and minimal debt repayment obligations relative to its cash flows. The company had liquid investments and cash and bank balances of ~Rs. 213 crore as of March 2024 at a standalone level and the average utilisation of the fund-based limits remained moderate at 65% for the last 12 months ended May 2024. The company has capex plans of ~Rs. 60 crore each in FY2025 and FY2026, which is expected to be funded through internal accruals.

### Rating sensitivities

**Positive factors** - ICRA could upgrade the ratings if the company significantly increases its scale of operations, while maintaining its profitability and improving its working capital cycle.

**Negative factors** – The ratings may be downgraded if there is any substantial decline in the company’s scale and operating profitability. A stretch in the working capital cycle, or any large capex/investments affecting the overall liquidity profile will also weigh on the ratings.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has considered consolidated financials of Indore Composite Private Limited for arriving at the ratings.

## About the company

Indore Composite Private Limited (ICPL), incorporated in 1994, is involved in the manufacturing of cable protection solutions for the telecom industry and primarily produces fibre reinforced plastic (FRP) rods. The company also manufactures various cable materials such as gels, coated glass fibres, tapes and yarns. ICPL also manufactures LFT (long fibre-reinforced thermoplastics) compounds which it distributes under the brand RePlet. The company has two manufacturing facilities at Ambernath (Maharashtra) and Pithampur (Madhya Pradesh).

ICPL has two wholly-owned subsidiaries and a joint venture (JV). Indore International SARL AU, a wholly-owned subsidiary, manufactures FRP rods in Morocco. Indore Composite NA, incorporated in North Carolina, USA, (second wholly-owned subsidiary) has recently commenced operations; however, it is only involved in the storage and trading of FRP rods. The company has entered into a joint venture with a foreign partner, Info Gel, and established Indore Gel Pvt. Ltd. which manufactures gel, catering to the optical fibre segment.

### Key financial indicators (audited)

ICPL Consolidated	FY2022	FY2023
Operating income	599.4	528.2
PAT	123.5	113.4
OPBDIT/OI	26.6%	25.1%
PAT/OI	20.6%	21.5%
Total outside liabilities/Tangible net worth (times)	0.7	0.4
Total debt/OPBDIT (times)	0.6	0.6
Interest coverage (times)	41.0	32.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

ICPL Standalone	FY2023	*FY2024
Operating income	444.2	287.8
PAT	79.6	61.8
OPBDIT/OI	22.4%	26.4%
PAT/OI	17.9%	21.5%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.3	0.8
Interest coverage (times)	35.8	27.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, \*Provisional

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jun 28, 2024	-	March 01, 2023	-
1 Fund-based	Long term/short term	45.00		[ICRA]A-(Stable)/[ICRA]A2+	-	[ICRA]A-(Stable)/[ICRA]A2+	-
2 Non-fund based	Short-term	104.90		[ICRA]A2+	-	[ICRA]A2+	-

<b>3 Unallocated</b>	Long term/ short term	0.10	--	[ICRA]A-(Stable)/ [ICRA]A2+	-	[ICRA]A- (Stable)/[ICRA]A2+	-
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### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/Short term – Fund-based	Simple
Short term – Non-fund based	Very Simple
Long term/Short term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term/Short term – Fund-based	-	-	-	45.00	[ICRA]A-(Stable)/[ICRA]A2+
NA	Short term – Non-fund based	-	-	-	104.90	[ICRA]A2+
NA	Long term/Short term - Unallocated	-	-	-	0.10	[ICRA]A-(Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Indore Composite NA Incorporated	100%	Full Consolidation
Indore International SARL AU	100%	Full Consolidation
Indore Gel Private Limited	50%	Equity Method

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