

February 18, 2020

## International Combustion (India) Limited - Update on Material Event

### Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Fund-based- Working Capital Facilities	15.25	[ICRA]BBB- (Stable) / [ICRA]A3
Non-fund based-Working Capital	18.00	[ICRA]BBB- (Stable)
Fund based/ Non-fund based (sub-limits)	(12.00)	[ICRA]A3
<b>Total</b>	<b>33.25</b>	

### Material Event

International Combustion (India) Limited (ICIL) has announced its quarterly results on February 7, 2020. The company reported a net loss of Rs. 2.74 crore on an operating income of Rs. 29.12 crore in Q3 FY2020 against a net profit of Rs. 0.08 crore on an operating income of Rs. 33.42 in Q3 FY2019. ICIL also reported a net loss of Rs. 4.44 crore in 9M FY2020 (April 2019 – December 2019) on an operating income of Rs. 91.14 crore vis-a-vis a net profit of Rs. 0.68 crore on an operating income of Rs. 94.48 crore in 9M FY2019 (April 2018 – December 2018). Nevertheless, significant liquid investments (market value of around Rs. 17 crore as on December 31, 2019) continues to support ICIL's liquidity.

### Impact of the Material Event

The ratings remain outstanding at [ICRA]BBB- (Stable) / [ICRA]A3. However, ICRA takes note of the company's weak performance during 9M FY2020 and is in the process of conducting a detailed review.

The ratings take into account ICIL's proven track record in the engineering/material-handling equipment (MHE) as well as the industrial gear/gear drives (gear) segments and its technological tie-ups with reputed global players, which enhance the company's competitive position. The ratings continue to factor in the company's conservative capital structure as well as a sizeable portfolio of liquid investments which support its liquidity. The ratings, however, are constrained by the continuing weak performance of the building material segment, which will continue to exert pressure on the company's overall profitability and cash flows until the segment's scale of operation surpasses the break-even level. Moreover, as a manufacturer of capital goods, ICIL remains vulnerable to the cyclicity in the end-user industries, particularly steel, which contributes to a significant portion of its sales. ICRA further notes that most of the contracts that ICIL enters have fixed prices. Hence, any adverse movement in raw material prices is likely to negatively impact its profitability. The industry is characterised by intense competition from the unorganised segment as well as large organised players, which is likely to keep margins under check.

The previous detailed rating rationale is available on the following link: [Click here](#)

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