



June 5, 2018

To,
The Listing Department,
BSE Limited,
Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street, Mumbai – 400001.

The Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra (East),
Mumbai – 400051.

Security ID : INDIANCARD
Security Code : 509692

Symbol : INDIANCARD
Series : EQ

Subject : Intimation pursuant to Regulation 30 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 (“the Regulations”) regarding revision in Credit Rating of the Company.

Dear Madam / Sir,

This is to inform you that ICRA Limited, a Credit Rating Agency, has revised the rating in respect of Rs. 17.60 crore Line of Credit of the Company, as follows:

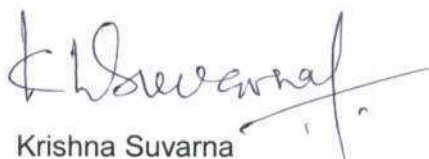
Facility	Amount Rated (Rs. In Crores)	Previous Rating	Revised Rating	Revision in Outlook
Term loans	5.60	[ICRA]A-	[ICRA]BBB+	Outlook revised to stable from negative
Working Capital Demand Loan	1.00	[ICRA]A-	[ICRA]BBB+	Outlook revised to stable from negative
Fund-based working capital	9.00	[ICRA]A- / [ICRA]A2+	[ICRA]BBB+ / [ICRA]A2	Outlook revised to stable from negative
Non-fund based	2.00	[ICRA]A2+	[ICRA]A2	N.A.

The communication letter as received from ICRA Limited is enclosed.

You are requested to take the same on your record.

Thanking you.

Yours faithfully,
For The Indian Card Clothing Company Limited


Krishna Suvarna
Chief Financial Officer



Encl.: As mentioned above

The Indian Card Clothing Company Limited

June 05, 2018

The Indian Card Clothing Company Limited: Ratings downgraded; Outlook revised to Stable from Negative

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	5.60	5.60	[ICRA]BBB+; downgraded from [ICRA]A-; outlook revised to Stable from Negative
WCDL	1.00	1.00	[ICRA]BBB+; downgraded from [ICRA]A-; outlook revised to Stable from Negative
Fund-based working capital	9.00	9.00	[ICRA]BBB+ / [ICRA]A2; downgraded from [ICRA]A- / [ICRA]A2+; outlook revised to stable from negative
Non-fund based	2.00	2.00	[ICRA]A2; downgraded from [ICRA]A2+
Total	17.60	17.60	

*Instrument details are provided in Annexure-1

Rating action

ICRA has downgraded the long-term rating to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]A- (pronounced ICRA A minus) and the short-term rating to [ICRA]A2 (pronounced ICRA A two) from [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 17.60 crore¹ bank limits of The Indian Card Clothing Company Limited (ICC or the company)². The outlook on the long-term rating has been revised to Stable from Negative.

Rationale

The downgrade in ratings takes into account the deterioration in the company's financial risk profile in FY2018 as a result of continued operating losses in the card clothing division, which coupled with an additional employee expenses against settlement for its closure of its Pune unit has aggravated the losses at operating level for the full year compared to FY 2017. ICRA notes that the company has also booked a one-time extraordinary provision of Rs 13.02 crore towards settlement of dues with Pune based employees as a part of the agreed voluntary retirement scheme, which will be subsequently paid in Q1FY2019. Though the settlement for its Pune unit is a positive from the cost structure perspective, stabilization of full operations at its Himachal Pradesh plant will be critical from the credit perspective. The ratings continue to remain constrained by increased working capital requirements due to rising inventory levels; exposure to sectoral concentration risks with the cotton textile industry accounting for over 80% of the company's revenues; and the susceptibility of ICC's profitability to foreign exchange fluctuation risks owing to its unhedged export receivables.

Nonetheless, the ratings continue to draw comfort from the sound capital structure and comfortable liquidity position of the company underpinned by a strong liquid investment portfolio and access to stable monthly unsecured rental

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

income. The ratings continue to favourably factor in the long track record of ICC in the card clothing business, along with its established and diversified customer base and strong competitive position in the card clothing segment. ICRA has also taken note of discontinuation of manufacturing operations of the company's Pune plant with effect from April 2018 following the amicable settlement with the unionised work force, which is expected to result in material savings in the employee costs, going forward. Nonetheless, a meaningful recovery in the card clothing division on the back of improved demand and cost benefits accrued to the company from shifting its entire manufacturing operations to Himachal Pradesh plant is yet to be seen and will be a key rating sensitivity.

Outlook: Stable

ICRA believes ICC will continue to benefit from its long track of over six decades and established market position in the manufacture of card clothing and card room accessories. The outlook may be revised to positive if the company is able to achieve healthy turnaround of card clothing operations on the back of increased revenues and improved profitability, while efficiently managing its working capital cycle. The outlook may be revised to negative if the card clothing division continues to report weak profitability, and/or there is a stretch in the working capital cycle leading to weakening of the financial profile of the company.

Key rating drivers

Credit strengths

Long track record and strong competitive position of the company in the card clothing business - Incorporated in 1955, ICC has a long track record of over six decades in supplying card clothing and card room accessories to the textile spinning industry. Through its vast experience and institutional knowledge, the company has built a strong competitive position, and is also an established player in the card clothing business in the country.

Established and diversified customer base - ICC has been present in the card clothing business for more than six decades and hence has established business relations with its clients. The customer profile of ICC continues to remain diversified, comprising mainly cotton spinning mills, with its top ten customers accounting for 10-15% of the total revenues historically (12% in FY2017). ICC has been able to cater to both domestic as well as export customers because of the wide range of card clothing products that it offers. Historically, ~25% of ICC's card clothing revenues are derived from export sales (24% in FY2017).

Sound capital structure and healthy liquidity position underpinned by a strong liquid investment portfolio – ICC's reliance on external borrowing has historically remained low. The capital structure has remained comfortable in the last five fiscals with gearing below 0.20 time as on each fiscal end. As on March 31, 2018, the company's gearing stood at 0.14 time as against 0.10 time as on March 31, 2017. The liquidity of the company also continued to remain strong, given the sizeable portfolio of liquid investments. As on March 31, 2018, the company's current investments stood at Rs. 51.90 crore mainly comprising liquid mutual funds while its non-current investments stood at Rs 14.31 crore comprising mainly in tax free bonds.

Steady monthly unencumbered rental income supporting the operating profitability to a large extent - ICC derives steady monthly rental income of Rs. 0.48 crore by leasing a commercial property and a residential apartment in Mumbai. This is an unencumbered income, which directly adds to the operating profitability of the company and compensates substantially for the heavy operating losses incurred by the card clothing division.

Credit concerns

Deterioration in the financial risk profile in FY2018 due to continued operating losses from the card clothing division and heavy net losses - The card clothing division of ICC has been reporting cash losses for the last ten quarters because of high employee costs, which have not been adequately covered by sufficient revenues. The delay in shifting its complete operations to its Himachal Pradesh plant, which has much lower overheads compared to its Pune plant, continued to impact the operating profitability of the card clothing division in FY2018. The operating loss of the company increased to Rs 5.95 crore in FY2018 from Rs 4.57 crore in FY2017. Further, at net level the company reported a huge loss of Rs 17.81 crore as compared to healthy profit of Rs 12.68 crore in FY2017. This was mainly because of one-time provision of Rs 13.02 crore made by the company in Q4FY2018 towards compensation to be paid to workers at the Pune plant as per the terms of the voluntary retirement scheme agreed between the employee's union and the company. Given the losses at operating as well as net level, the company's debt coverage indicators comprising interest coverage, Total Debt/OPBDITA, NCA/Total debt etc. turned negative in FY2018.

Increased working capital requirements due to higher inventory levels – ICC's working capital borrowings increased substantially compared to past fiscals, on account of higher inventory levels required to be maintained, given the increased reliance on imports following the raw material supply constraints faced during FY2017 and FY2018. As on March 31, 2018, the inventory levels stood at 122 days as compared to 83 days as on March 31, 2016. The cash credit facility of the company remained almost fully utilised during FY2018. Apart from the regular cash credit limit of Rs. 9.00 crore, the company also relied on working capital demand loan of Rs. 1.00 crore and additional overdraft/cash credit limits against mutual fund investments to fund its increasing working capital requirements. The working capital borrowing of the company stood at Rs. 11.86 crore as on March 31, 2018 as compared to Rs. 9.31 crore as on March 31, 2017 and Rs. 5.90 crore as on March 31, 2016. Given the weak operational performance and stretched working capital position, the company has been re-negotiating the payment terms, with its creditors in the last two fiscals to support the working capital cycle. The creditor days increased substantially to 188 days as on March 31, 2018 from 86 days as on March 31, 2017 and 11 days as on March 31, 2016.

Sectoral concentration risks, given the high dependence on the cotton textile spinning sector for revenue generation - Manufacturing card clothing is the core operations of ICC and contributes 90% to its total operating revenues. The demand for card clothing in the re-clothing market is entirely dependent on the current installed capacity of carding machines, their production rate and consumption of fibre. Any slowdown in demand in the textile spinning industry, particularly cotton, directly impacts the prospects of ICC as evidenced by 22% decline in card clothing sales in FY2017, and the weak performance of the cotton textile industry.

Exposure to foreign exchange fluctuation risk owing to unhedged export receivables - ICC derives around 25% of its card clothing sales from exports. In the absence of any firm hedging mechanism, its profitability remains vulnerable to any unfavourable movement in foreign exchange rates.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated on June 24, 1955, as a private limited company, The Indian Card Clothing Company Limited (ICC) was converted into a public limited company on March 27, 1975. ICC has been associated with the textile spinning industry for the past 55 years and is engaged in supplying card clothing and card room accessories. At present, the Mauritius-based, Multi Act Industrial Enterprises Limited (MAIL), promoted by the Trivedi family and a few other shareholders, is the holding

company of ICC with a stake of 57.35% in the equity share capital. ICC operates through two business verticals—card clothing and realty. While card clothing is its core operating business, ICC generates regular income from real estate as well as treasury operations. The company has two card manufacturing facilities, one each at Pimpri (Pune, Maharashtra) and Nalagarh (Himachal Pradesh). ICC has three subsidiaries, namely Garnett Wire Limited (60% shareholding), ICC International Agencies Limited (wholly owned subsidiary) and Shivraj Sugar & Allied Products Pvt. Ltd. (94% shareholding).

In FY2018, on standalone basis, ICC reported a net loss of Rs. 17.81 crore on an operating income of Rs. 60.86 crore (as per unaudited financials), as compared to a net profit of Rs. 12.68 crore on an operating income of Rs. 50.73 crore in the previous year.

Key financial indicators

	FY 2016 [^] (Audited)	FY2017 [^] (Audited)	FY2018* (Unaudited)
Operating Income (Rs. crore)	65.83	50.73	60.86
PAT (Rs. crore)	13.60	12.68	-17.81
OPBDIT/ OI (%)	7.71%	-9.02%	-9.77%
RoCE (%)	18.36%	15.80%	-20.31%
Total Debt/ TNW (times)	0.08	0.10	0.14
Total Debt/ OPBDIT (times)	1.49	-2.26	-8.42
Interest coverage (times)	6.29	-4.87	-2.46

* As per Ind AS; ^ As per IGAAP

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)		Chronology of Rating History for the past 3 years					
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating June 2018	Date & Rating in FY2018 January 2018	Date & Rating in FY2018 May 2017	Date & Rating in FY2017 Jul 2017	Date & Rating in FY2016 Aug 2015	
1	Term loans	5.60	0.85	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	
2	WCDL	1.00	-	[ICRA]BBB+(Stable)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	
3	Fund based working capital	9.00	-	[ICRA]BBB+ (Stable) / [ICRA] A2	[ICRA]A- (Negative) / [ICRA] A2+	[ICRA]A- (Stable) / [ICRA] A2+	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A (Stable) / [ICRA]A1	
4	Non-fund based	2.00	-	[ICRA] A2	[ICRA] A2+	[ICRA] A2+	-	-	

* as on March 31, 2018

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan 1	January 2017	9.80%	FY2019	5.60	[ICRA]BBB+(Stable)
NA	Term loan 2	January 2017	9.90%	FY2023	1.00	[ICRA]BBB+(Stable)
NA	WCDL	-	9.80%	FY2018	1.00	[ICRA]BBB+(Stable)
NA	Fund based working capital	-	9.80%	-	9.00	[ICRA]BBB+(Stable) / [ICRA] A2
NA	Non-fund based	-	-	-	2.00	ICRA] A2

Source: ICC

ANALYST CONTACTS

K Ravichandran
+91 44 45964301
ravichandran@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Tushar Bharambe
+91 22 6169 3350
tushar.bharambe@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
Communications@icraindia.com

Helpline for business queries:

+91- 124- 2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 020 6606 9999

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