



January 17, 2018

To  
The Listing Department,  
BSE Limited,  
Corporate Relationship Department,  
1<sup>st</sup> Floor, New Trading Ring,  
Rotunda Bldg., P.J. Towers,  
Dalal Street, Mumbai 400 001.

The Listing Department,  
National Stock Exchange of India Ltd,  
Exchange Plaza,  
Bandra (East),  
Mumbai 400 051.

Madam/Sir,

**SUB : Intimation pursuant to Regulation 30 of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 ("the Regulations") regarding Revision in Credit Rating of the Company**

**REF : Symbol: INDIANCARD; Scrip Code: 509692**

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This is to inform you that the ICRA Limited, the Credit Rating Agency has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus) and the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) in respect of Rs. 17.60 crore Line of Credit of the Company. The outlook on the long-term rating has been revised to 'Negative' from 'Stable'.

The communication letter and rationale 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,

Amogh Barve  
Company Secretary  
Membership No. : A33080



Encl. as above:



ICRA

ICRA Limited

CONFIDENTIAL

Ref : 2017-18/PUN/232

January 16, 2018

Mr. K Suvarna  
Chief Financial Officer,  
The Indian Card Clothing Company Limited  
Mumbai-Pune Road,  
Pimpri, Pune 411018

Dear Sir,

**Re: Surveillance of ICRA assigned Credit Rating for Rs. 17.60 crore Line of Credit of The Indian Card Clothing Company Limited (Instrument details in Annexure)**

As you are aware that in terms of the Rating Agreement received from its clients, ICRA is required to review its ratings, on an annual basis, or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has reaffirmed the long term rating at [ICRA]A- (pronounced ICRA A minus)<sup>1</sup> and the short the rating at [ICRA]A2+ (pronounced ICRA A two plus) for the captioned Line of Credit (LOC)<sup>1</sup> of your company. The outlook on the long term rating has been revised to 'Negative' from 'Stable'.

The aforesaid ratings will be due for surveillance anytime before December 31,2018.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned.

ICRA reserves the right to suspend, withdraw or revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on '**Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)**' issued by the Securities and Exchange Board of India.

<sup>1</sup> For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

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You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,  
for ICRA Limited

A handwritten signature in blue ink, appearing to read 'Ashish Modani', is positioned above the printed name.

**ASHISH MODANI**  
Assistant Vice President  
ashish.modani@icraindia.com

A handwritten signature in blue ink, appearing to read 'Anand Kulkarni', is positioned above the printed name.

**ANAND KULKARNI**  
Assistant Vice President  
anand.kulkarni@icraindia.com

## The Indian Card Clothing Company Limited

January 17, 2018

### The Indian Card Clothing Company Limited: Rating reaffirmed; Outlook revised to negative from stable

#### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loans	5.60	5.60	[ICRA]A- reaffirmed ; outlook revised to negative from stable
WCDL	1.00	1.00	[ICRA]A- reaffirmed ; outlook revised to negative from stable
Unallocated	8.40	0.00	[ICRA]A- reaffirmed ; outlook revised to negative from stable
Fund-based working capital	9.00	9.00	[ICRA]A- / [ICRA]A2+ reaffirmed ; outlook revised to negative from stable
Non-fund based	2.00	2.00	[ICRA]A2+ reaffirmed
<b>Total</b>	<b>26.00</b>	<b>17.60</b>	

\*Instrument details are provided in Annexure-1

#### Rating action

ICRA has reaffirmed the long-term rating of [ICRA]A- (pronounced ICRA A minus) and the short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 17.60 crore<sup>1</sup> (reduced from Rs. 26.00 crore) bank limits of The Indian Card Clothing Company Limited (ICC or the company)<sup>2</sup>. The outlook on the long-term rating has been revised to Negative from Stable.

#### Rationale

The revision in the rating outlook factors in the expected pressure on ICC's profitability in the near term, given the delay in shifting its complete operations from Pimpri (Pune, Maharashtra) to Nalagargh (Himachal Pradesh), which is likely to keep the overhead costs high. ICRA also notes the subdued demand for card clothing. The ratings continue to remain constrained by the weak performance of the card clothing division in H1 FY2018 as reflected by lower than expected revenues due to weak demand from the textile spinning industry and raw material supply issues faced from the newly developed supplier. The ratings also consider the continued operating losses, given the high overhead costs, and increased working capital requirements due to rising inventory levels. The ratings remain further constrained by the 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 reaffirmation continues 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 income. The ratings continue to favourably factor in the long track record of ICC in the card clothing

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

business, along with its established and diversified customer base and strong competitive position in the card clothing segment.

## Outlook: Negative

ICRA expects the complete shifting of operations from the Pimpri to Nalagarh plant to happen by Q1 FY2019, which will result in significant reduction in overheads related to employee costs and boost profitability thereafter. The outlook may be revised to Stable if the financial profile is strengthened by a meaningful recovery in the card clothing division on the back of improved demand and cost benefits accrued to the company from shifting its operations within the expected timeline. The rating may be downgraded if the shifting of operations to Nalagarh is further delayed and the card clothing division continues to report weak profitability, thereby constraining 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 10 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 comfortable 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 September 30, 2017, the company's gearing stood at 0.13 time as against 0.10 time as on March 31, 2017. The liquidity of the company also continues to remain strong, given the sizeable portfolio of liquid investments. As on September 30, 2017, the company's investments in liquid mutual funds stood at Rs. 41.34 crore, compared to Rs. 40.10 crore as on March 31, 2017. Its other investments, mainly in tax free bonds, stood at Rs. 29.22 crore as on September 30, 2017 over Rs. 17.11 crore as on March 31, 2017.

**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

**Continued weak performance of the card clothing division in H1 FY2018 impacting the profitability and debt coverage indicators** - The card clothing division of ICC has been reporting cash losses for the last nine quarters because of high employee costs, which have not been adequately covered by sufficient revenues. The delay in shifting its complete operations to its Nalagarh plant, which has much lower overheads compared to its Pune plant, has continued to impact the operating profitability of the card clothing division. Subdued demand for card clothing due to weak performance of the textile spinning industry has also impacted the revenues, and therefore profitability, in the last 18 months. ICC

reported 23% de-growth in operating income in FY2017 due to 22% decline in card clothing sales. Insufficient absorption of overheads resulted in operating loss of Rs 4.57 crore in FY2017 as compared to an operating profit of Rs. 5.07 crore in FY2016. The losses from the card clothing segment have continued in H1 FY2018, impacting the overall profitability and the debt coverage indicators of the company. ICC reported an operating loss of Rs. 0.40 crore and net loss of Rs. 0.74 crore in H1 FY2018. The debt coverage indicators, comprising interest coverage and Total Debt/OPBDITA, remained negative as on September 30, 2017. Although the non-operating income of Rs. 2.91 crore has supported the debt servicing indicators in H1 FY2018, the same has been much lower compared to FY2017, which has resulted in decline in NCA/Total Debt to 22% in H1 FY2018 from 130% in FY2017.

**Increased working capital requirements due to higher inventory levels** - ICC's reliance on working capital borrowing has gone up substantially on account of higher inventory levels required to be maintained, given the increased reliance on imports following the raw material supply constraints faced in the past few months. As on September 30, 2017, the inventory levels stood at 140 days as compared to 122 days as on March 31, 2017 and 83 days as on March 31, 2016. The average utilisation of cash credit facility stood high at 80% during January to September 2017. In the current year, apart from the regular cash credit limit of Rs. 9.00 crore, the company has relied on working capital demand loan of Rs. 1.00 crore, overdraft facility of Rs. 1.00 crore and extra cash credit limit of Rs. 1.60 crore against mutual fund investments to fund its increasing working capital requirements. The working capital borrowing of the company stood at Rs. 12.38 crore as on September 30, 2017 as compared to Rs. 9.31 crore as on March 31, 2017 and Rs. 5.90 crore 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 FY2017, on standalone basis, ICC reported a net profit of Rs. 12.68 crore on an operating income of Rs. 50.73 crore, as compared to a net profit of Rs. 13.60 crore on an operating income of Rs. 65.83 crore in the previous year. As per the unaudited standalone financials for H1 FY2018, the company has reported a net loss of Rs. 0.74 crore on an operating income of Rs. 28.93 crore.

### Key financial indicators

	FY 2016 (Audited)	FY2017 (Audited)	H1FY2018 (Unaudited)
Operating Income (Rs. crore)	65.83	50.73	28.93
PAT (Rs. crore)	13.60	12.68	-0.74
OPBDIT/ OI (%)	7.71%	-9.02%	-1.38%
RoCE (%)	18.36%	15.80%	-0.08%
Total Debt/ TNW (times)	0.08	0.10	0.13
Total Debt/ OPBDIT (times)	1.49	-2.26	-16.36
Interest coverage (times)	6.29	-4.87	-0.34
NWC/ OI (%)	4.69%	1.39%	-2.53%

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

### Any other information: None

### Rating history for last three years:

Instrument	Type	Current Rating (FY2018)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding* (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				Jan 2018	May 2017	Jul 2017	Aug 2015
1 Term loans	Long Term	5.60	0.65	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2 WCDL	Long Term	1.00	-	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
3 Unallocated	Long Term	0.00	-	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
4 Fund based working capital	Long /Short term	9.00	-	[ICRA]A- (Negative) / [ICRA] A2+	[ICRA]A- (Stable) / [ICRA] A2+	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A (Stable) / [ICRA]A1
5 Non fund based	Short Term	2.00	-	[ICRA] A2+	[ICRA] A2+	-	-

\* as on September 30, 2017

### 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](http://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	-	9.80%	FY2019	5.60	[ICRA]A- (Negative)
NA	Term loan 2	-	9.90%	FY2023	1.00	[ICRA]A- (Negative)
NA	WCDL	-	9.80%	FY2018	1.00	[ICRA]A- (Negative)
NA	Unallocated	-	-	-	0.00	[ICRA]A- (Negative)
NA	Fund based working capital	-	9.80%	-	9.00	[ICRA]A- (Negative) / [ICRA] A2+
NA	Non fund based	-	-	-	2.00	ICRA] A2+

Source: ICC



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## 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](http://www.icra.in)

## ICRA Limited

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