Press Release

Integrity Mining Corporation Private Limited

April 30, 2019

Rating Downgraded

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Downgraded from ACUITE BB / Outlook:Stable)

** Refer Annexure for details*

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB-**' **(read as ACUITE double B minus)** from **'ACUITE BB' (read as ACUITE double B)** to the Rs. 9.00 crore bank facilities of Integrity Mining Corporation Private Limited (IMPL). The outlook is **'Stable'**.

The rating downgrade is on account of steep decline in revenues and profitability for FY2018 and FY2019. The company has booked revenue of Rs.22.33 crore in FY2018 as against Rs.28.89 crore in FY2017. Further, the company has booked Rs.11.77 crore for the period under study from April to October, 2018. However, the ratings factors in the experienced management and reputed clientele. The ratings are constrained by declining revenues, and highly competitive and fragmented industry.

IMPL, promoted by Mr. Uday Bhaskar and Ms. Garikapati Swetha, was incorporated in 2013. The company is engaged in the trading of laterite, Granite, Eucalyptus Wood and is also into prawn culture. The storage facilities are located at Orissa. The procurement of laterite is done locally from mines in Vishakapatnam, while granite is procured from Warangal and Khammam in Telangana and exported to China.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Integrity Mining Corporation Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Reputed clientele**
  The company caters to reputed players in the cement and paper industry, namely, Vedanta Limited, Sagar Cements, Ultratech Cements and JK Paper Limited, among others.

Weaknesses

- **Moderate financial risk profile**
  IMPL has moderate financial risk profile marked by gearing of 2.59 times in FY2018 as compared to 1.37 times in FY2017. Interest Coverage Ratio (ICR) stood at 1.57 times in FY2018 as against 4.18 times in the previous year. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.88 times as on 31 March, 2018 as against 1.83 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times in FY2018 as against 0.20 times in FY2017. The total debt of Rs. 8.88 crore consists entirely of working capital borrowings. The company has no long term debts. Acuité believes that the company will maintain its moderate financial risk profile in the absence of major debt funded expansion plan and moderate working capital requirements.

- **Declining revenue trend**
  IMPL has reported operating income of Rs.22.33 crore for FY2018 as compared to Rs.28.89 crore for FY2017. The decline in operating income is on account of lower business from laterite. Further, the company has booked revenues of Rs.11.77 crore for the period April to October, 2018. The company has started dealing in granite from FY2018.

Liquidity Position:

IMPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated net cash accruals of Rs.0.41-0.83 crore during the last three years through FY2017-18, while its maturing debt obligations were nil over the same period. The cash accruals of the company are estimated to remain around Rs.0.50-0.71 crore during 2019-21, while its repayment obligations are estimated to be nil. The company's operations are moderately working capital intensive as marked by gross current assets (GCA) of 186 days in FY 2018. This has led to high reliance on working capital borrowings, the cash credit limit in the company remains utilised at around 100 percent during the last six months ended March, 2019. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual with no repayments over the medium term.

Outlook: Stable

Acuité believes that IMPL will maintain a 'Stable' outlook over the medium term on account of its healthy improvement in revenues. The outlook may be revised to 'Positive' if the company registers higher than expected revenue and liquidity position while maintaining its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability or higher than expected debt funded working capital requirement leading to strain on its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.33	28.89	4.37
EBITDA	Rs. Cr.	1.60	1.65	1.23
PAT	Rs. Cr.	0.34	0.80	0.66
EBITDA Margin	(%)	7.16	5.71	28.24
PAT Margin	(%)	1.50	2.78	15.21
ROCE	(%)	15.53	22.87	35.86
Total Debt/Tangible Net Worth	Times	2.59	1.37	2.01
PBDIT/Interest	Times	1.57	4.18	6.91
Total Debt/PBDIT	Times	5.56	2.57	3.72
Gross Current Assets (Days)	Days	186	102	631

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Feb-2018	Secured Overdraft	Long Term	9.00	ACUITE BB / Stable (Assigned)

*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB- / Stable (Downgraded from ACUITE BB/Stable)

Contacts

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About Acuité Ratings & Research:
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