

Press Release

Indus Udyog And Infrastructure Private Limited

September 06, 2019



Rating Reaffirmed Outlook Revised

Total Bank Facilities Rated*	Rs. 35.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Negative (outlook revised from ACUITE BBB/ Stable)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 35.00 crore bank facilities of Indus Udyog and Infrastructure Private Limited (IUIPL). The outlook is revised from '**Stable**' to '**Negative**'.

The revision in the outlook is mainly due to stretched receivable position thereby resulting in elongated working capital cycle.

IUIPL, is a Raipur-based company incorporated in 2011 and promoted by Mr. Raj Kumar Agrawal, Mr. Nitesh Kumar Agrawal and Mr. Ashish Kumar Agrawal. IUIPL is engaged in washing, trading and transportation of coal. The company has setup coal washery unit at Korba (Chhattisgarh) in October, 2018. It has capacity of 0.99 MTPA. The company mainly caters to Maharashtra, Madhya Pradesh and Chhattisgarh.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of IUIPL Industries Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and moderate track record of operations

IUIPL is promoted by Mr. Raj Kumar Agrawal, Mr. Nitesh Kumar Agrawal and Mr. Ashish Kumar Agrawal. The promoters of the company have been engaged in the coal industry for more than a decade. Since 2011, the company is into trading and transportation of coal later in 2018 it started with washing of coal. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. The key customers of the company include reputed names such as Hindalco Industries Limited (HIL), Emami Cement Limited (ECL), Jindal Steel & Power Limited (JSPL), Adani Power Maharashtra Limited (APML) amongst others with no major concentration in revenues.

• Moderate financial risk profile

The financial risk profile continues to remain moderate on account of moderate net worth, low gearing and healthy debt protection measures. The net worth of the company continues to remain healthy at Rs.39.23 crore as on March 31, 2019 (Provisional) against Rs.30.13 crore as on March 31, 2018. Increase in net worth is on account of accretion to reserves. The company has followed a conservative financial policy reflected by peak gearing of 1.07 times for the 3 years ending March 31, 2019. IUIPL's moderate cash accruals to the tune of about Rs.9.09 crore have supported in minimising the reliance on external debt leading to moderate gearing and debt levels of 1.05 times and Rs. 41.19 crore as on March 31, 2019 (Provisional). The company incurred capex of around Rs.13.00 crore for setting up coal washery for FY2019 to expand its scale of operations. Healthy revenue levels coupled with growing operating margins have resulted in healthy debt protection measures. Interest Coverage Ratio (ICR) continued to remain healthy at 4.19 times for FY2019 as against 4.44 times for FY2018. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.36 times as on March 31, 2019 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 3.32 times for FY2019 (Provisional). Acuite believes that the financial risk profile of company will continue to remain healthy over the medium term on account of its improving scale of operations, growing margins and conservative financial policy.

Weaknesses

- **Working capital intensive nature of operations**

Working capital operations remain intensive in nature with Gross Current Asset (GCA) days of 218 days as on March 31, FY2019 (Provisional) as against 204 days for FY2018. The company purchases coal from the subsidiaries of the Coal India Limited. The company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. The high GCA days on account of stretched receivables of 155 days for FY2019 (Provisional) as against 57 days in FY2018. Out of total receivables of Rs.38.06 crore as on 31 March 2019, Rs.9.86 crore are outstanding for more than six months. UIPL's working capital limits over the last twelve months' period was utilised at an average of 90 per cent for the month ended June, 2019. Acuite believes, timely realization of the debtors in order to improve its working capital operations and the liquidity position will be a key rating sensitivity.

- **Susceptibility to fluctuations in demand and intense competition**

UIPL trades in coal which is sold to key customers like HIL, ECL, JSPL, APML, among others, where the company has limited bargaining power due to high competitive pressures within the industry. The company on the other hand procures coal through domestic markets, the prices of which have remained volatile in the past. The major users of coal belong to steel, power and cement industry and hence the demand for coal depends on these industries. Loss of supply linkages between the cement industry and coal availability has been a developing challenge in India over lack of infrastructure. Further, capital intensive steel and metal plants have been under low potential utilization and have been experiencing reduced productivity amidst a global competition and slowdown in domestic economic conditions. Lower demand from these industries will impact the overall performance of the company. The ability of UIPL to grow in such conditions and maintain its profitability will be key monitorable in the future.

Liquidity Position

UIPL has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.28 crore to Rs. 14.78 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.1.19 crore -4.63 crore for the same period. The company is expected to improve the operational performance in FY2020 due to setting up of Coal Beneficiation Plant. The operations are moderately working capital intensive as marked by gross current asset (GCA) days of 218 in FY 2019 (Provisional) as compared to 204 days in FY 2018. The cash credit limit of the company remains utilized at ~90 per cent during the last twelve months period ended June, 2019. The current ratio stood at 1.34 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account elongation in working capital.

Outlook: Negative

Acuite believes that the UIPL's credit profile will be impacted by stretched receivable position resulting in stretched liquidity profile over the near to medium term. The rating may be downgraded in case of further elongation in the working capital cycle. Conversely, the outlook may be revised to 'Stable' in case of significant and sustainable improvement in working capital cycle thereby translating into significant improvement in its liquidity profile and debt protection indicators.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	89.65	83.69	84.72
EBITDA	Rs. Cr.	19.59	11.80	10.35
PAT	Rs. Cr.	9.09	5.33	3.43
EBITDA Margin	(%)	21.85	14.10	12.22
PAT Margin	(%)	10.14	6.37	4.05
ROCE	(%)	19.42	14.85	17.22
Total Debt/Tangible Net Worth	Times	1.05	1.07	0.77
PBDIT/Interest	Times	4.19	4.44	3.57
Total Debt/PBDIT	Times	2.10	2.69	1.85
Gross Current Assets	Days	218	204	118

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
17-Jun-2019	Cash Credit	Long Term	20.00	ACUITE BBB (Indicative)
	Cash Credit	Long Term	10.00	ACUITE BBB (Indicative)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB (Indicative)
11-Apr-2018	Cash Credit	Long Term	20.00	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB / Stable (Assigned)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB / Negative (Revised from ACUITE BBB/ Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB / Negative (Revised from ACUITE BBB/ Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Negative (Revised from ACUITE BBB/ Stable)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in Disha Parmar Analyst - Rating Operations Tel: 022-49294054 disha.parmar@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.*