

Press Release

Indus Udyog And Infrastructure Private Limited

June 16, 2021



Rating Downgraded and Outlook revised

Total Bank Facilities Rated*	Rs.35.00 Cr
Long Term Rating	ACUITE BBB-/Stable (Downgraded from ACUITE BBB and outlook revised)

* Refer Annexure for details

Rating Rationale

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

The rating downgrade and outlook revision is on account of significant deterioration in the business risk profile of the company as reflected from the steep decline in operating income leading to lower cash accruals. Moreover, there has been elongation in the working capital cycle of the company, which could put pressure on the company's liquidity position. Going forward, the company's ability to achieve higher revenues and managing working capital efficiently would remain the key rating sensitivities.

Incorporated in 2011, IUIPL, is a Raipur-based company, which is promoted by Mr. Raj Kumar Agrawal, Mr. Rupesh Garg, Mr. Suksai Paikra and Mr. Ashish Kumar Agrawal. IUIPL is engaged in washing, trading and transportation of coal. The coal washery unit is located at Korba (Chhattisgarh) and has a capacity of 0.99 MTPA. The company mainly caters to the states of Maharashtra, Madhya Pradesh and Chhattisgarh.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of IUIPL to arrive at the rating.

Key Rating Drivers

Strengths

• **Established presence in the industry**

The company is promoted by Mr. Raj Kumar Agrawal, Mr. Rupesh Garg, Mr. Suksai Paikra and Mr. Ashish Kumar Agrawal who have a long track record of over a decade in coal trading and transportation. Since 2011, the company is into trading and transportation of coal. Later in 2018, it started with washing of coal. Acuité believes the established presence in the industry has enabled IUIPL to develop a healthy relationship with its customers including Tirupati Minerals Private Ltd and Adani Power Limited and suppliers such as South Eastern Coalfields Limited and Ambika Tradelink Private Limited which will continue to support the business risk profile over the medium term.

• **Healthy financial risk profile**

The financial risk profile continues to remain healthy on account of moderate albeit improving net worth, low comfortable gearing and healthy debt protection measures. The net worth of the company stood at Rs.37.08 crores as on March 31, 2020 against Rs.36.31 crores as on March 31, 2019. The company has followed a conservative financial policy reflected by gearing of 0.68 times as on March 31, 2020 against 1.12 times as on March 31, 2019. The total debt of Rs.25.14 crores as on March 31, 2020 comprises of short term debt of Rs.14.69 crores, current maturing obligation of Rs.4.74 crores, long term debt of Rs.4.02 crores and unsecured loan of Rs.1.69 crores. The healthy debt protection measure is marked by Interest Coverage Ratio (ICR) at 2.89 times in FY2020. The Total Outside Liabilities/Tangible net worth (TOL/TNW) stood low at 0.94 times as on March 31, 2020 compared to 1.52 times as on March 31, 2019. Acuité believes that the financial risk profile of company will continue to remain healthy over the medium term on account of its steady accruals and conservative financial policy.

Weaknesses

• Decrease in revenues

The company reported revenue of Rs.32.45 crores in the FY2020 compared to Rs.89.02 crores in the previous year. The revenue of the company declined due to volatility in price of coal. The price of thermal coal declined in the first eight months of 2019 due to increased supply and weaker electricity demand and lower LNG prices. Because of the low prices, the company resisted to sell its products in FY2020. The company made almost 56.67 per cent of sales in the last quarter of previous financial year when the prices of coal stabilized. In FY2021, the company's operations were affected for three to four months due to the demise of one of the key promoters. As a result the sales stood at Rs.31.45 crores in FY2021 (Provisional). Acuité believes that the company's ability to increase their revenue in the medium term would be key a rating sensitivity.

• Working capital intensive operations

The operations of the company remain working capital intensive in nature with Gross Current Asset (GCA) days of 476 days in FY2020 against 220 days in FY2019. The high GCA days are on account of stretched receivables of 343 days in FY2020 against 149 days in FY2019. Due to low coal prices, the company did not sell much of their products in FY2020 which resulted to elongated receivable days. For similar reasons the inventory days increased to 114 days in FY2020 compared to 52 days in FY2019. However, the company has realized majority of its debtors which has reduced to Rs. 16.83 crores as on March 31,2021 (Provisional) from Rs. 30.46 crores as on March 31,2020. Acuité believes, timely realization of the debtors in order to improve its working capital operations will be a key rating sensitivity.

Rating Sensitivity

- Improvement in working capital operations
- Sharp increase in turnover

Material Covenants

None

Liquidity Profile: Adequate

The liquidity position of company is adequate marked by net cash accruals of Rs.6.95 crores in FY2020 against its repayment obligation of Rs.4.63 crores in the previous year. The current ratio of the company stood healthy at 1.46 times as on March 31, 2020 against 1.24 times as on March 31,2019. The unencumbered cash and bank balance stood at Rs.1.26 crore as on March 31,2020 compared to Rs.0.31 crore as on March 31,2019. The company has not availed covid loan or loan moratorium. The bank limit is utilized at around 80 per cent for six months ended March 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals repayments over the medium term.

Outlook: Stable

Acuité believes that IUIPL will maintain a 'Stable' outlook over the medium term on account of the established track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its revenues. Conversely, the outlook may be revised to 'Negative' in case its working capital cycle gets further stretched or its financial risk profile deteriorates in the medium term.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	32.45	89.02
PAT	Rs. Cr.	2.37	6.17
PAT Margin	(%)	7.31	6.93
Total Debt/Tangible Net Worth	Times	0.68	1.12
PBDIT/Interest	Times	2.89	4.17

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

CRISIL, vide its press release dated Oct 20, 2020 had denoted the rating of the company as 'CRISIL B+; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-September-2019	Cash Credit	Long Term	20.00	ACUITE BBB/Negative (Revised from ACUITE BBB/Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB/Negative (Revised from ACUITE BBB/Stable)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB/Negative (Revised from ACUITE BBB/Stable)
17-June-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-April-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	Name of bank	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Central Bank of India	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Downgraded from ACUITE BBB and outlook revised)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Downgraded from

						ACUITE BBB and outlook revised)
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About Acuité Ratings & Research:

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