Press Release

Ideal Detonators Private Limited
December 16, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A | Stable | Upgraded	-
Bank Loan Ratings	15.00	-	ACUITE A1 | Upgraded
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and its short-term rating to **'ACUITE A1' (read as ACUITE A one)**from **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs. 25.00 Cr. bank facilities of Ideal Detonators Private Limited (IDPL). The outlook is '**Stable**'.

Rationale for rating
The rating factors in significant improvement in Ideal group's overall financial risk profile on the back of improved operating performance and liquidity. The rating also factors in established track record of the group and experienced management. However, the rating is constrained by susceptibility of profitability to volatility in raw material prices and regulatory risk in explosives industry. Sustenance of revenues and financial risk profile while continuously improving operational performance will remain a key monitorable.

About Company

Hyderabad based, Ideal Detonators Private Limited (IDPL) was incorporated in 1989, by Mr. P Sadanand Reddy. The company is engaged in manufacturing of detonators used in mining and infrastructure industries. The products include Aluminium Super Electric Detonators, Aluminium Super Electric Half Second Delay Dets, Aluminium Super Plain Detonators, among others. The company has its manufacturing unit located in Narketpally, Telangana with an installed capacity of 160 million units per annum.

About the Group

Ideal Industrial Explosives Limited (IIEL)
Incorporated in March 1987, Telangana, IIEL is a part of the Telangana-based Ideal Group and is engaged in the manufacturing of standard commercial explosives and accessories. The Company is licensed by Govt. of India to manufacture slurry explosives, bulk explosives, detonating fuse, PETN, site mixed explosives, emulsion explosives, etc. which are mainly used in the mining, infrastructure and construction industries. The directors are Mr. Poddutur Rakesh Kumar, Mr. Poddutur Sadanand Reddy, Mr. Poddutur Rajeev Kumar, Mr. Prodduturu Narendarreddy and Ms. Soniya Reddy Poddutur.

Ideal Mining Services Limited (IMSL)
Andhra Pradesh based, Ideal Mining Services Limited, was founded in the year 2018 by P. Sadananad Reddy . It is engaged in the business of manufacturing and distribution of mining explosives, detonators. The company has manufacturing facility in Zambia. It is a subsidiary of IIEL.

Ideal Detonators Tanzania Limited (IDTL)
IDTL is a Tanzania based company specialises in the production & distribution of mining explosives, detonators

and accessories for industrial and mining purposes. It is a subsidiary of IDPL incorporated in the year 2024.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of the Ideal Detonators Private Limited (IDPL), Ideal Industrial Explosives Private Limited (IIEL), Ideal Detonators Tanzania Limited (IDTL) and Ideal Mining Services Limited (IMSL) due to common management, operational and financial linkages to arrive at this rating. All the entities are herein referred to as group or Ideal Group.

Key Rating Drivers

Strengths

Established operations with experienced management
The group is promoted by Mr. P Sadanand Reddy, first generation entrepreneur with over three decades of experience in the explosive industry. Currently, he is supported by his sons, Mr. P Rajeev Kumar and Mr. P Rakesh Kumar. The group has a competent management supported by a team of well qualified and experienced second line personnel. Ideal group is an established player in the industrial explosives business with a long track record of operations of over 3 decades. The promoter's experience in the explosive industry has helped the group build healthy relationship with its suppliers and customers, to ensure a steady raw material supply and large offtake. Acuité believes that the promoters' extensive experience has helped the group to establish long term relations with customers and suppliers and the same is reflected in steady growth in the scale of operations.

Improvement in Profitability of the Ideal group
The revenue of the group stood at Rs. 1,019.55 Cr. in FY2024 as compared to Rs.1,215.00 Cr. in FY2023. The decline in revenue is due to lower price realisations. EBITDA margin stood at 13.27 percent as on FY2024 as against 6.73 percent as on FY2023. The reason for the improvement in operating margin in FY2024 is mainly due to the low raw material costs as a per cent of sales, sale of high value products and value added services. The group EBITDA stood at Rs.135.32 Cr. as on FY2024 as compared to Rs. 81.82 Cr. as on FY2023. The PAT margins of the group have improved to 8.98 per cent in FY2024 in comparison to 3.98 per cent in FY2023. In the 8MFY2024, group has reported ~Rs.823 Cr. of the revenue. The group is planning to achieve the turnover of Rs.1200 Cr. – Rs.1300 Cr. in FY2025. Further, most of Ideal Group customers are large and reputed players in the mining and infrastructure industry, and the company has been able to secure repeat orders from them. Ideal Groups customer profile, comprising Coal India Limited (CIL) and its subsidiaries, Singareni Collieries Company Limited (SCCL), the Ministry of Defence (Government of India), etc. with whom it has developed strong relationship over the years. Further, the group has an unexecuted order book as of November 2024 of ~1950 Cr. which gives medium term revenue visibility.
Acuite believes that due to by healthy order book position and healthy relationship with reputed clientele will Ideal group is expected to support its scale of operations while improving profitability.

Healthy Financial Risk Profile
The financial risk profile of the company is marked by healthy net worth, debt-protection metrics and low gearing level. The tangible net worth of the company stood at Rs. 273.84 Cr. as on March 31, 2024 as against 188.53 Cr. as on March 31, 2023. The company follows conservative leverage policy as reflected in peak gearing level of 0.17 times as on March 31, 2024 as against 0.28 times as on March 31, 2023. The total debt of the company outstanding as on March 31, 2024 of Rs. 45.72 Cr. comprises of working capital borrowings of Rs. 41.62 Cr. Further, NCA/ TD stands at 2.29 times for March 31,2024 where NCA improved to Rs.104.59 Cr in FY2024 as compared to Rs. 58.24 Cr. in FY2023. The debt protection metrics of the company are healthy as debt service coverage ratio (DSCR) stood at 10.62 times in FY2024 as against 5.11 times in FY2023. The interest coverage ratio (ICR) stood at 26.68 times in FY2024 as against 10.62 times in FY2023.
Going forward, the Acuité believes that the financial risk profile of the company will remain healthy on account of augmentation of net cash accruals and absence of any major debt funded capex plan

Sound Working Capital Management

The working capital intensity of the of the group remained moderate marked by gross current asset (GCA) days of 78 days for FY2024 and 75 days for FY2023. The debtor days stood at 37 days in FY2024 as against 43 days in FY2023. The creditor days stood at 38 days in FY2024 as against 59 days in FY2023. The inventory holding period of the company stood at 21 days in FY2024 as against 23 days in FY2023. The group is not utilizing its fund-based facility, further the average utilization of the non-fund based facilities of the company remained low in the last six months ended November 2024. Acuité believes that the working capital operations of the group will remain comfortable over the medium to long term.

Weaknesses

Vulnerability of profitability to raw materials

The Group's major raw materials are pentaerythritol tetranitrate (PETN), ammonium nitrate, aluminium strips, copper wire, galvanised iron (GI) wires, PVC compound, etc. As most of its raw materials are metals and derivatives of oil and gas, the profitability remains vulnerable to adverse movement in their prices. Thus, Groups profitability will remain susceptible to volatility in raw material prices.

Exposed to regulatory risks

The explosive industry is regulated by the Petroleum and Explosives Safety Organisation, which continuously monitors the sale of explosives to avoid misuse of the finished products. The nature of the products and their usages are prone to abuse not only in India, but globally, which makes the industry highly sensitive and vulnerable. The Department of Explosives under the Government of India, located in Nagpur, Maharashtra, is the licensing authority for overseeing the safety of hazardous materials produced and marketed by the industry. Given the nature of the products and their hazardous raw materials, the vulnerability to accidents remains high, despite compliance with all mandated safety requirements. Though the group takes precautions at all stages of its process from manufacturing to delivering, it will remain susceptible to regulatory risks and intervention.

Rating Sensitivities

- Continous improvement in the group's revenues and profitability
- Deterioration in Financial Risk Profile backed by debt funded capex or eradication of net cash accruals.
- Working Capital Management
- Any adverse regulatory measures weaken the Groups credit profile

Liquidity Position

Strong

The group's liquidity position is strong marked by sufficient net cash accruals against its maturing debt obligations. The group has net cash accruals of Rs. 104.59 Cr. in FY2024 against no maturing debt obligations in the same period. The group maintains cash and bank balances of Rs. 26.50 Cr. as on March 31, 2024. Further the group has unencumbered cash and cash equivalents of ~40 Cr. The current ratio stands at 1.76 times as on March 31, 2024 as against 1.32 times as on March 31, 2023.

Acuite believes that the liquidity of the group is likely to remain strong over the medium term on account of adequate cash accrual.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1019.55	1215.00
PAT	Rs. Cr.	91.55	48.36
PAT Margin	(%)	8.98	3.98
Total Debt/Tangible Net Worth	Times	0.17	0.28
PBDIT/Interest	Times	26.68	10.62

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Sep 2023	Cash Credit	Long Term	10.00	ACUITE A- | Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A2+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A2+ (Reaffirmed)
22 Jun 2022	Cash Credit	Long Term	10.00	ACUITE A- | Stable (Upgraded from ACUITE BBB+ | Stable)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	1.00	ACUITE A2+ (Upgraded from ACUITE A2)
05 May 2021	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE A1 | Upgraded (from ACUITE A2+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A | Stable | Upgraded (from ACUITE A-)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE A1 | Upgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1 | Upgraded (from ACUITE A2+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No	Company Name
1	Ideal Detonators Private Limited
2	Ideal Industrial Explosives Limited
3	Ideal Mining Services Limited
4	Ideal Detonators Tanzania Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.