

Press Release

Indermani Minerals India Private Limited (IMIPL)

May 31, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 175.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE three plus**) to the Rs.175.00 crore of bank facilities of Indermani Minerals India Private Limited (IMIPL). The outlook is '**Stable**'.

Indermani Minerals India Private limited (IMIPL), incorporated in 1997 by Mr. Sunil Agarwal, Mr. Prakash Chand Agarwal and Mr. Pankaj Agarwal. IMIPL is a Raipur based company engaged in trading of coal including coal washery with an installed capacity of 900000 MTPA. The washery unit of the company is located at Raipur, Chhattisgarh. The company is also into rendering of logistic services.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of IMIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

IMIPL's, a Raipur based company was incorporated in 1997 and promoted by Mr. Sunil Agarwal, Mr. Prakash Chand Agarwal and Mr. Pankaj Agarwal, who possess more than two decades of experience in trading of coal. The long experience of the promoters has helped the company to establish comfortable relationship with their customers such as Bharat Aluminium Company Ltd, KSK Mahanadi Power Company Ltd among others as well as suppliers such as South Eastern Coalfields Ltd, Western Coalfields Limited among others.

Strong financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stands healthy at Rs.125.92 crore in FY2018 as compared to Rs.104.63 crore in FY2017, mainly due to retention of annual profit. Acuite has considered unsecured loan as quasi equity as the amount is subordinated to bank debt and Acuite has also received an undertaking that the unsecured loans of Rs. 30.31 crore would be maintained in the business over the medium term. The gearing of the company stands comfortable at 1.12 times as on March 31, 2018 when compared to 2.20 times as on March 31, 2017. This gearing is improved mainly on account of repayment of long term debt taken from the bank and also increase in Networth of the company. The total debt of Rs.141.32 crore consist of long term debt of Rs. 90.74 crore, short term debt of Rs.50.58 crore. The interest coverage ratio (ICR) is healthy and stands at 4.18 times in FY 2018 as against 3.50 times in FY 2017. The debt service coverage ratio also stands comfortable at 1.81 times in FY2018 as against of 1.45 times in FY2017. The net cash accruals against total debt stand (NCA/TD) comfortable at 0.35 times in FY2018 as compared to 0.16 times in the previous year. The financial risk profile of the company is expected to sustain at comfortable levels over the medium term backed by healthy accruals and no major debt funded capex.

Healthy profitability

IMIPL's margins have increased during the period under study on account decrease in raw material cost and better market realization. Though the scale of operations have reported a compound annual growth rate of about 6.9 per cent over the past two years through FY2018; moreover, its operating profitability is increasing year over year from 7.81 per cent in FY2017 to 10.03 per cent in FY2018 largely owing to declining raw material prices, and better realizations.

Moderate working capital management

IMIPL's working capital operations are moderate marked by Gross Current Assets (GCA) of 142 days in FY2018 compared to 171 days in FY2017. The GCA days are dominated by high other current asset of Rs.165.69 core in FY2018, which mainly consist of advance given to the supplier for raw material. The debtor days of the company stood comfortable at 39 days in FY2018 as compared to 123 days in previous year, whereas inventory days also stands comfortable at 25 days in FY2018 as compared to 12 days in FY2017.

Weaknesses

Susceptibility of margins to volatility in raw material prices and foreign exchange fluctuation risk

IMIPL margins are susceptible to volatility in raw material prices and foreign exchange fluctuation risk. The key raw material required is coal which is highly susceptible to raw material prices. The company imports a portion of raw materials from South Africa and Indonesia. Adverse changes in prices may affect the profitability of the company.

Liquidity Position:

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 49.65 crore in FY2017-18, while its maturing debt obligation was Rs.28.04 crore during the same period. The adequate liquidity of the company is also marked by 65-70 per cent utilization of working capital limit. The liquidity of the company also support by the free cash balance of Rs.7.66 crore as on 31st March 2018. Going forward, Acuite believes liquidity is likely to remain comfortable due to healthy accruals as against of repayment obligations and no major capex plan.

Outlook: Stable

Acuite believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in coal trading business. The outlook may be revised to 'Positive' if there is a substantial and significant increase in the company's revenues along with sustained profitability margins, conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	782.14	796.45	684.46
EBITDA	Rs. Cr.	78.47	62.22	56.82
PAT	Rs. Cr.	17.04	13.63	12.11
EBITDA Margin	(%)	10.03	7.81	8.30
PAT Margin	(%)	2.18	1.71	1.77
ROCE	(%)	15.42	13.35	30.63
Total Debt/Tangible Net Worth	Times	1.12	2.20	1.89
PBDIT/Interest	Times	4.18	3.50	2.88
Total Debt/PBDIT	Times	1.79	3.68	2.89
Gross Current Assets (Days)	Days	142	171	171

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

None

Any other information

None

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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE BBB/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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