

Press Release

Indermani Minerals India Private Limited

04 March, 2020

Rating Reaffirmed & Assigned



Total Bank Facilities Rated*	Rs. 275.00 Cr. (Enhanced from Rs.175.00 Crore)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.195.00 crore of bank facilities and also assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to Rs.80.00 crore 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 900,000 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 considered standalone business and financial risk profile of IMIPL while arriving 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 longstanding 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.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stands healthy at Rs.153.72 crore in FY2019 as compared to Rs.125.92 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. Acuite has also considered unsecured loan of Rs. 36.29 crore from promoters as quasi equity as the same amount is subordinated to the bank debt and will be not withdrawn during the tenure of the loan. The gearing of the company stands comfortable at 1.26 times as on March 31, 2019 when compared to 1.12 times as on March 31, 2018. The total debt of Rs.193.54 crore in FY2019 consists of short term loan of Rs.127.79 crore and long term debt of Rs. 65.75 crore. Interest coverage ratio (ICR) is comfortable and stands at 3.73 times in FY2019 as against 4.18 times in FY 2018. The debt service coverage ratio (DSCR) also stands comfortable at 1.33 times in FY2019 as against of 1.81 times in FY2018. The net cash accruals to total debt (NCA/TD) stand comfortable at 0.23times in FY2019 as compared to 0.35 times in the previous year. Acuite believes the financial risk profile of the company will be comfortable backed by no major capex plan.

Healthy Profitability Margin

The operating margins of the company stood at 9.59 percent in FY2019 as compared to 10.03 percent in the preceding year. The marginal decline is due to rise in raw material prices. The operating margin stood at around 9.60 per cent as on 30th November 2019 (Prov.). The net profitability margin of the company has increased to 2.48 per cent in FY2019 as compared to 2.18 per cent in previous year.

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.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by modest net cash accruals of Rs.44.28 crore as against Rs.20.85 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 43.54 crore to Rs. 60.35 crore during 2020-22 against Rs.20.85 crore repayment obligations. The gross current asset days stood high at 167 days in FY2019. The bank limit is 60-70 per cent utilized by the company in the last 6 months ended January 2020. The current ratio of the company stood at 1.60 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against moderate debt repayments over the medium term.

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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	773.23	782.14
PAT	Rs. Cr.	19.16	17.04
PAT Margin	(%)	2.48	2.18
Total Debt/Tangible Net Worth	Times	1.26	1.12
PBDIT/Interest	Times	3.73	4.18

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-06.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
31-May-2019	Overdraft	Long Term	150.00	ACUITE BBB/Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE BBB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	170.00	ACUITE BBB/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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