

Press Release

Indermani Minerals India Private Limited

November 30, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	25.00		ACUITE A3+ Reaffirmed
Bank Loan Ratings	250.00	250.00	ACUITE BBB Stable Reaffirmed	
Total	275.00	275.00	-	-

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB**' (read as ACUITE triple B) and the short term rating of '**ACUITE A3+**' (read as ACUITE A three plus) to the Rs.275.00 Cr of bank facilities of Indermani Minerals India Private Limited. The outlook is '**Stable**'.

The rating continues to reflect the stable business risk profile of the company marked by healthy scale of operation and steady profitability margin along with long standing experience of the management in the coal trading and washery business. The rating also factors in the comfortable financial risk profile of the company during the period. However, these strengths are partially offset by the working capital intensive nature of operation and susceptibility of margins to volatility in raw material prices and foreign exchange fluctuation risk.

About the Company

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

Acuité has considered the standalone business and financial risk profile of IMIPL while arriving at the rating.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**

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, Raigarh Energy Generation Limited among others as well as suppliers

such as South Eastern Coalfields Ltd, Western Coalfields Limited among others.

- **Healthy scale of operation coupled with stable profit margins**

The revenue of the company stood healthy at Rs.595.34 crore in FY2021 (Prov.) as compared to Rs.754.41 crore in the previous year. However this deterioration in top line is mainly due to decrease in quantity sales as well as decrease in average realization during the period. Further, the revenue of the company was also impacted due to the outbreak of covid-19 and nation-wide lockdown during FY2021. The company has booked Rs.256.67 crore till end of Aug 2021 (Prov.).

The operating profitability margin of the company has improved to 10.18 per cent in FY2021 (Prov.) as against of 8.72 per cent in the previous year. This improvement in profitability margin is on account of decrease in coal price. The net profitability margin of the company has been at 3.08 per cent in FY2021 (Prov.) as compared to 3.24 per cent in the previous year. However, this slight decline in net profitability is on account of increase in finance cost backed by higher utilization of short term borrowings during the period. Going forward, Acuité believes the profitability margin of the company will be sustained at current levels over the medium term backed by increasing demand of coal in the domestic market.

- **Comfortable financial risk profile**

The financial risk profile of the company is marked by healthy net worth, moderate gearing and comfortable debt protection metrics. The net worth of the company stood healthy at Rs.201.61 crore in FY 2021(Prov.) as compared to Rs 179.17 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. Acuité has considered unsecured loan of Rs.41.42 crore as quasi equity since the amount is subordinated to the bank debt. The gearing of the company stood moderate at 1.04 times as on March 31, 2021 (Prov.) when compared to 1.52 times as on March 31, 2020. Interest coverage ratio (ICR) is moderate and stood at 2.81 times in FY2021 (Prov.) as against 3.69 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood comfortable at 1.31 times in FY2021 (Prov.) as compared to 1.52 times in the previous year. The net cash accruals to total debt (NCA/TD) stood moderate at 0.15 times in FY2021 (Prov.) as compared to 0.21 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

- **Working capital intensive nature of operation**

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 271 days in FY2021 (Prov.) as compared to 219 days in the previous year. This high GCA days mainly emanates from the high other current asset days of Rs.150.16 crore in FY2021 (Prov.) which mainly consists of advance for expenses of Rs.56.14 cr., GST receivables of Rs.34.88 cr., loans and advances to related parties of Rs.67.31 crore and advance recoverable of Rs.50.88 crore. The inventory days of the company stood moderate at 64 days in FY2021 (Prov.) as compared to 38 days in the previous year. The debtor days of the company stood moderate at 81 days in FY2021 (Prov.) as compared to 100 days in the previous year.

- **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 of Rs31.76 crore as against Rs.18.93 crore long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 39.81 crore to Rs. 49.42 crore during 2022-24 as against Rs.21.99 crore in FY2022 of long term debt obligations. The current ratio of the company stood moderate at 1.22 times in FY2021 (Prov.). The working capital management of the company is marked by high Gross Current Asset (GCA) days of 271days in FY2021 (Prov.). The bank limit of the company has been ~64 per cent utilized during the last six months ended in September 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Rating Sensitivities

Sustainable growth in operating revenues and profitability margins
Further deterioration in financial risk profile.

Material covenants

None

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	595.34	754.41
PAT	Rs. Cr.	18.32	24.43
PAT Margin	(%)	3.08	3.24
Total Debt/Tangible Net Worth	Times	1.04	1.12
PBDIT/Interest	Times	2.81	3.69

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-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2020	Cash Credit	Long Term	170.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Assigned)
31 May 2019	Letter of Credit	Short Term	25.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	150.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50	50.00	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	30.00	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	170.00	170.00	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	25.00	ACUITE A3+ Reaffirmed

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About Acuité Ratings & Research

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