

Press Release

Indermani Minerals India Private Limited

November 09, 2022



Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	250.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	30.00	ACUITE BBB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	275.00	-	-
Total Withdrawn Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

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

Further, Acuite has reaffirmed and withdrawn the long term rating of **ACUITE BBB** (read as **Acuite Triple B**) on the Rs. 30 Cr. bank facilities of IMIPL.

The rating has been withdrawn on Acuite's policy of withdrawal of ratings, after the company's request to withdraw and the NOC received from the banker.

Rationale for the rating

The rating continues to consider the established track record of operation and long-standing experience of the promoters in the business of coal trading and washeries, healthy relationship with customers and strong execution and logistical advantages. The rating also factors the strong financial risk profile of the group. However, these strengths are partially offset by the working capital intensive nature of operation and end user sector challenge coupled with high entry barriers.

About 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. The washery unit of the company is located at Raipur, Chhattisgarh. The company is also into rendering of logistic services.

About the Group

Bhatia Energy & Minerals Private Limited (BEMPL), incorporated in 2009, was acquired by Indermani Group in March 2018. BEMPL is a Raigarh-based company, which has a coal

washery with an installed capacity of 500,000 MTPA. The company also provides railway sidings and is engaged in coal trading. The washery unit of the company is located at Raigarh, Chhattisgarh.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has now taken a consolidated view of Indermani Minerals India Private Limited and Bhatia Energy & Minerals Private Limited as both the entities are in the same line of business, share common management and has significant operational linkage between them. The revision in analytical approach is on account of increase of operational and financial linkages between IMPL and BEMPL. Acuité understands that the enhanced linkages between the two entities would continue going forward also. The group herein is referred to as Indermani Group.

Key Rating Drivers

Strengths

Long track record of operation and experienced management -

IMIPL's, a Raipur based company was incorporated in 1997 and promoted by Mr. Sunil Agarwal, Mr. Vikas Prakash Chand Agarwal and Mr. Pankaj Agarwal, Director who possess more than two decades of experience in trading of coal. BEMPL was incorporated in 2009 and taken over by Indermani Group in March 2018. Currently, the company is managed by Mr. Sunil Agarwal, Mr. Vikas Prakash Chand Agarwal and Mr. Pankaj Agarwal, Director, who possess more than two decades of experience in coal industry. This long experience helps the group to create healthy relation with its customers as well as with the suppliers. As a group, this long experience of the promoters helps both the units to create healthy relation with its customers as well as with the suppliers and the same is reflected in healthy and improving business risk profile of the group.

Healthy scale of operation coupled with healthy profitability margin of the group-

The revenue of the group has improved to Rs.852.08 crore in FY2022 (Prov.) as against of Rs.653.26 crore in the previous year. This significant improvement in revenue is on account of increasing demand for coal in the domestic market during the period. Further, this improvement in revenue is also on account of increase in coal washery capacity to 500000 MTPA in FY2022 from 96000 MTPA in Bhatia Energy & Minerals Pvt Ltd. The group has booked Rs.670.47 crore till September 2022 (Prov.). Going forward, Acuité believes that the revenue of the group will improve on account of increasing demand of coal in the domestic market as well as in international market.

The operating profitability margin of the group has also improved and stood healthy at 18.16 per cent in FY2022 (Prov.) as compared to 11.36 per cent in the previous year. This improvement in operating profitability margin is on account of decrease in coal price during the period. Moreover, the operating profitability margin of the group is also at a healthy level of 15.27 per cent till 6MFY2023 (Prov.). Going forward, Acuité believes that the operating profitability margin of group will sustain at a healthy level on account of efficient cost management by the group.

Strong financial risk profile-

The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood high at Rs.310.08 crore in FY2022 (Prov.) as compared to Rs 232.47 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. Acuité has also considered unsecured loan of Rs. 28.37 crore as quasi equity as the same amount is subordinated with the bank debt. The gearing of the group stood at 0.73 times as on March 31, 2022 when compared to 1.07 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and stood at 6.91 times in FY2022

(Prov.) as against 2.76 times in FY2021. The debt service coverage ratio (DSCR) of the group also stood comfortable at 2.20 times in FY2022 (Prov.) as compared to 1.23 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.47 times in FY2022 (Prov.) as compared to 0.16 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain strong 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 management of the group is marked by high gross current asset (GCA) days of 189 days in FY2022 (Prov.) as compared to 300 days in the previous year. This significant improvement in GCA days is on account of improvement in debtor days to 49 days in FY2022 (Prov.) as compared to 115 days in FY2021. Further, the collection period of the group had increased significantly on March 2021 to 300 days as compared to 176 days in FY2020, mainly due to the impact of covid-19 and nation-wide lock down during that time. The inventory holding period stood comfortable at 27 days in FY2022 (Prov.) as its improved from 79 days in the previous year. This high GCA days also emanates from the high other current assets which mainly consisting of advance to suppliers, GST credit receivables, short term loans and advances to related parties among others.

End user sector challenges and high entry barriers

Coal washed, transported and traded by Indermani group find their end use by companies involved in power generation, cement manufacturing and steel and metal plants. The consumers that Indermani group caters to are also under high regulation from the government. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to significant reduction in energy consumption from power plants, putting the power plants under financial distress. Loss of supply linkages between the cement industry and coal availability has been a developing challenge in India over lack of infrastructure. Further, capital intensive steel and metal plants have been under low potential utilization and have been experiencing reduced productivity amidst a global competition and slowdown in domestic economic conditions. Any policy changes affecting the highly regulated coal industry or its end users will impact the financial risk profile of Indermani group. The ability of Indermani group to grow in such conditions and maintain its profitability will be key monitorable in the future.

The coal beneficiation business in India is highly regulated and falls under the purview of Ministry of Coal, Government of India as well as Ministry of Environment, Forest and Climate Change, Government of India. Such high level of regulation from multiple government authorities creates entry barriers for new players. This provides an advantage to the existing players by keeping the competition low. With limited number of companies present in the coal washeries business, Acuité believes the existing players in the market will benefit from its established presence.

Rating Sensitivities

- Sustainable growth in operating revenues and profitability margins
- Deterioration in financial risk profile.
- Working capital management

Material Covenants

None

Liquidity Position Strong

The group has strong liquidity position marked by healthy net cash accruals of Rs.106.31 crore as against Rs.36.10 crore long term debt obligations in FY2022 (Prov.). The cash accruals of the

group are estimated to remain in the range of around Rs. 92.15 crore to Rs. 101.86 crore during 2023-24 as against Rs.33.26 crore in FY2023 and Rs.21.86 crore in FY2024 of term debt obligations respectively. The bank limit of the group has been only 21 percent utilized during the last six months ended in September 2022. The current ratio of the group stood comfortable at 1.72 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the group stood high at 189 days in FY2022 (Prov.). Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Acuité believes that the group will continue to benefit over the medium term from its management's extensive experience and established position in coal industry. The outlook may be revised to 'Positive' if there is a substantial and sustained increase in the group's revenues and 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 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	852.08	653.26
PAT	Rs. Cr.	85.31	21.63
PAT Margin	(%)	10.01	3.31
Total Debt/Tangible Net Worth	Times	0.73	1.07
PBDIT/Interest	Times	6.91	2.76

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

Brickworks, vide its Press Release dated Sept 14, 2021 had downgraded IMIPL to BWR BB-/ A4; INC.

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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
30 Nov 2021	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	170.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
04 Mar 2020	Letter of Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	170.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	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	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	170.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+ Reaffirmed

The amount of Rs.30.00 crore has been taken over by HDFC bank from PNB bank.

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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.

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