

## Press Release

### The Indian Mineral Company

December 06, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	109.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	2.50	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	111.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its 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. 111.50 Cr bank facilities of The Indian Mineral Company (TIMC). The outlook is '**Stable**'.

#### Rationale for the rating

The rating reaffirmation reflects the experience of the promoters in wholesale steel trading, strong product portfolio, healthy growth in revenue and operating profits, moderate financial risk profile and adequate liquidity. These rating strengths are partially offset by the limited scalability and the vulnerability of profitability owing to volatility in steel prices and geographical concentration of operations.

#### About the Firm

TIMC is a partnership firm based out of Hubli, Karnataka. The firm is promoted Mr. Bimal Mehta and Mrs. Neepa Mehta and was incorporated in 1965. The Firm is wholesale distributor for various products Tata Steel, JSW Steel for Karnataka and dealers for Essar Steel and Ambuja Cement. The firm also cuts and bends the products as per requirements of its customers. Firm has emerged as a leading distributor for Tata Steel products in Karnataka region. The products the firm deals includes Tata Tiscon, Tiscon TMT bars, TMT Bars, MS rounds, MS Sheets, MS plates, HT grade plates, boiler quality plates, normalized plates, EN series plates, MS beams, MS channels, MS angles, MS flats, MS Square, MS & GI square rectangular and round tubes, GP Coils, BGL Coils & Colour coated coils.

#### Analytical Approach

Acuite has considered the standalone business and financial risk of TIMC to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Experienced Management and Strong Product Portfolio

TIMC is a partnership firm based out of Hubli, Karnataka. The firm is promoted by Mr. Bimal Mehta and Mrs. Neepa Mehta and was incorporated in 1965. The promoters have more than five decades' experience in wholesale trading of steel and other related products. The firm is a wholesale distributor for various products from Tata Steel, JSW Steel for Karnataka and dealers for Essar Steel and Ambuja Cement. The firm sells TMT Bars, MS rounds, MS Sheets, MS plates, HT grade plates, boiler quality plates, normalized plates, EN series plates, MS beams, MS channels, MS angles, MS flats, MS Square, MS & GI square rectangular and round tubes, GP Coils, BGL Coils & Colour coated coils manufactured by Tata Steel, JSW Steel and other major manufacturers. The sales territory is demarcated by the manufacturers with the firm catering to the whole of Karnataka for Tata Structural, Wiron and for Karnataka excluding Bangalore for Tata Tiscon. Acuite believes, having a strong supplier base with strong brands and limited competition will help the firm in maintaining its business in the medium term.

#### Healthy growth in Revenue and operating margins

The firm caters to around 400 dealers in Karnataka and as such has been able to achieve healthy growth in revenue profile from 328.70 Cr in FY2021 to 477.12 Cr in FY2022. Further being a wholesale trading entity, the firm has been able to maintain a stable operating margin in the range of 3.16 per cent to 3.67 percent over the past 3 years ended FY22 and net profit margins in the range of 1.54 per cent to 2.74 per cent over the same period. Considering the nature of operations, Acuite believes, the firm will be able to maintain its profitability margins over the medium term.

#### Moderate Financial Risk Profile

TIMC's financial risk profile is moderate marked by healthy capital structure and coverage indicators. The firm's net worth stood at Rs.45.08 Cr as on March 31, 2022 as against Rs.40.43 Cr as on March 31, 2021. Total debt of Rs. 60.78 Cr as on March 31st 2022 consists of Rs. 9.26 Cr term loan, Rs. 14.49 Cr unsecured loan from partners and working capital loan of Rs. 37.16 Cr. Interest coverage ratio stood at 6.13 times as on March 31st 2022 and 4.98 times as on March 31st 2021. The net cash accrual (NCA) to total debt (TD) is 0.23 times as on March 31st 2022 and 0.22 times as on March 31st 2021. The Total outside liabilities to Tangible net worth stood at 1.49 times for FY2022 as against 1.23 times in FY2021. Acuite believes that considering the asset light nature of business and absence of any debt funded capex in the medium term, the firm will maintain its capital structure.

### Weaknesses

#### Vulnerability of profitability owing to volatility in steel prices

The profitability margins of the firm are susceptible to volatility in steel prices in domestic and international markets as the firm procures 100 percent of its traded goods from domestic steel makers. Significant changes in prices of steel impact the margins of the firm reflected by a decline in operating margin to 3.55 percent in FY2022 from 3.69 percent in FY2021. Acuite believes that profitability of the firm will remain susceptible to volatility in steel prices in the near to medium term.

#### Susceptibility to cyclical nature of industry and competitive nature of industry

The firm is engaged in trading business of steel products with the top steel manufacturers of the country. The steel consumption is majorly dependent upon the economic activities taking

place in and around the country. The end user industry being infrastructure and real state, any significant slowdown in these industries will impact the demand of steel and will impact the revenues of the firm. Further, the firm competes with various players in the organized and unorganized segments in the steel trading industry, thus limiting the pricing power.

### **High Geographic concentration of risk**

The operations of the firm are limited to Karnataka region which is responsible for almost all the revenue and this leaves the firm with exposure to significant geographical and political risk. Therefore, any negative development in this area would significantly hurt the overall operations of the firm

### **Rating Sensitivities**

- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle and any unplanned significant capex to deterioration of financial risk profile and liquidity.

### **Material covenants**

None

### **Liquidity: Adequate**

The liquidity position of the firm is adequate as observed from net cash accruals in the range of Rs 9.5 Cr to Rs 14.50 Cr with loan repayments in the range of 0.67 Cr to 2.89 Cr tied to the same over past 3 years ended FY22. Further, the average of peak monthly utilization of the cash credit facility is 52 per cent for the past 18 months ended September 2022. The adequacy of the liquidity position can be further observed from the gross current assets days in the range of 66 to 78 days over past 3 years ended FY22. Acuité believes, in absence of any major planned capex in near future and demarcated allocation of sales territories and stable creditor and debtor policies mean, the firm will be able to maintain its liquidity position over medium term.

### **Outlook: Stable**

Acuité believes that TIMC will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, wide product range, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	477.12	328.70
PAT	Rs. Cr.	13.07	8.53
PAT Margin	(%)	2.74	2.59
Total Debt/Tangible Net Worth	Times	1.35	1.08
PBDIT/Interest	Times	6.13	4.98

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Sep 2021	Working Capital Term Loan	Long Term	9.50	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Short Term Loan	Short Term	2.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Dropline Overdraft	Long Term	20.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	65.00	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
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	10.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	9.50	ACUITE BBB   Stable   Reaffirmed

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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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