



**Press Release**  
**THE INDIAN MINERAL COMPANY**  
**September 19, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	104.55	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	6.95	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	111.50	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A Three Plus**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.111.50 Cr. bank facilities of The Indian Mineral Company (TIMC). The outlook is '**Stable**'.

**Rationale for upgrade :**

The rating upgrade takes into account the stable scale of operations in FY2024 (Prov), moderate financial risk profile, and adequate liquidity position of TIMC. The operating income stood at Rs. 534.21 Cr. in FY2024 (Prov) as compared to the previous year of Rs. 544.02 Cr. in FY2023. The operating margins ranged between 3.40 and 2.96 percent for the last two years ended FY2024 (Prov). The financial risk profile of TIMC continues to be moderate, with comfortable debt protection metrics and moderate net wealth and efficient working capital management.

The rating is, however, constrained by inherently vulnerability of profitability owing to volatility in steel prices , Susceptibility to cyclical nature of industry and competitive nature of industry, High Geographic concentration of risk.

**About the Company**

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.

### **Unsupported Rating**

Not applicable

### **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, 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, and colour-coated coils manufactured by Tata Steel, JSW Steel, and other major manufacturers. The sales territory is demarcated by the manufacturers, with firms catering to the whole of Karnataka for Tata Structura, Wiron, and for Karnataka excluding Bangalore for Tata Tiscon. Acuité believes having a strong supplier base with strong brands and limited competition will help the firm maintain its business in the medium term.

- **Stable operating income with improvement in operating margins:**

The operating income of the firm stood at Rs 534.21 Cr. in FY2024 (Prov) with muted growth as compared to FY2023, which stood at Rs 544.02 Cr. The firm caters to around 400 dealers in Karnataka. Muted growth in FY2024 (Prov) is on account of lower realizations. EBTIDA margin improved and stood at 3.40 percent in FY2024 (prov) as compared to 2.96 percent in FY2023. Profitability is primarily attributable to an increase in dealership network and steady growth in overall volumes, backed by a decrease in steel prices. Acuité believes the firm will be able to maintain its stable operating income and profitability margins over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the firm has remained moderate with a moderate capital structure and debt protection metrics. The net worth of the firm stood at Rs. 45.37 Cr. and Rs. 45.41 Cr. as on March 31, 2024 (Prov) and 2023, respectively. The net worth stood stagnant in FY2024 due to drawings of Rs. 9.25 crore. The gearing of the firm stood at 2.05 times as on March 31, 2024 (Prov), as against 1.80 times as on March 31, 2023. TIMC's debt protection metrics are moderately marked by Interest coverage ratio and debt service coverage ratio stood at 2.30 times and 1.81 times as on March 31, 2024 (Prov), respectively, as against 2.46 times and 1.71 times as on March 31, 2023, respectively. TOL/TNW stood at 1.96 times and 1.84 times as of March 31, 2024 (prov), and 2023, respectively. The debt to EBITDA of the firm stood at 5.11 times as on March 31, 2024 (Prov) as against 5.06 times as on March 31, 2023.

### Weaknesses

- **Vulnerability of profitability owing to volatility in steel prices**

The profitability margins of the firm are susceptible to volatility in steel prices in the domestic and international markets as the firm procures 100 percent of its traded goods from domestic steel makers. Acuité believes that the 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 engaged in trading steel products to 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 for 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.

- **Partnership nature of business**

TIMC is a partnership firm and is exposed to the likeliness of the partners withdrawing capital from the business. Acuité believes that any substantial withdrawal of capital by the partners in the future is likely to have an adverse impact on the capital structure.

### **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.

### **Liquidity Position: Adequate**

The firm's liquidity is adequate, with adequate NCAs to its repayment obligations. firm generated cash accruals of Rs. 10.27 Cr. during FY2024 (Prov), while its maturing debt obligations are Rs. 2.14 Cr. during the same period. The cash accruals of the firm are estimated to remain around Rs. 10.22-11.79 Cr. during FY2025-26, while their repayment obligations are Rs. 1.09-1.178 Cr. during the same period. The firm has maintained unencumbered cash and bank balances of Rs. 0.10 Cr, and the current ratio stood at 1.52 times as on March 31, 2024 (Prov). Acuité expects that the liquidity of the firm is likely to be adequate over the medium term on account of healthy cash accruals.

### **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 a 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 a stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	534.21	544.02
PAT	Rs. Cr.	9.17	8.50
PAT Margin	(%)	1.72	1.56
Total Debt/Tangible Net Worth	Times	2.05	1.80
PBDIT/Interest	Times	2.30	2.46

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <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, 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
07 Sep 2023	Cash Credit	Long Term	85.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Working Capital Demand Loan (WC DL)	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Dropline Overdraft	Long Term	2.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Working Capital Term Loan	Long Term	9.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB   Stable)
	Proposed Short Term Bank Facility	Short Term	2.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
06 Dec 2022	Cash Credit	Long Term	85.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	9.50	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BBB   Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	2.50	ACUITE A3+ (Reaffirmed)
09 Sep 2021	Short-term Loan	Short Term	2.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Working Capital Term Loan	Long Term	9.50	ACUITE BBB   Stable (Assigned)
	Dropline Overdraft	Long Term	20.00	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	15.00	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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	85.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
HDFC Bank Ltd	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.95	ACUITE A3+   Upgraded ( from ACUITE A4+ )
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Dec 2028	Simple	3.04	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2025	Simple	2.01	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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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