



Press Release
VIMLA FUELS AND METALS LIMITED
August 05, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	48.25	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	71.75	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	120.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) and the short term rating to '**ACUITE A3+**' (read as **ACUITE A Three plus**) on the Rs. 120.00 crore bank facilities of Vimla Fuels and Metals Limited (VFML). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the extensive experience of the management and moderate financial risk profile of the company marked by low gearing and comfortable debt protection metrics. The rating also factors in the improvement in operating margins of the company to 9.91 percent in FY24 (Prov.) from 8.28 percent in FY23, along with locational advantage which the company enjoys, as the manufacturing plant of the company is situated near to Kandla Port in Gujarat. Further, the liquidity of the company is also marked adequate on account of sufficient cash accruals against the repayment obligations. However, these strengths are offset by the intensive working capital operations of the company on account of high GCA days of 262 days in FY24 (Prov.) consisting of high debtors and inventory for the company as on 31st March 2024. The rating also factors susceptibility of the company's profitability to cheaper imports of MET Coke from China and other countries leading to pricing pressure on domestic players like VFML.

About the Company

Vimla Fuels and Metals Limited (VFML), based in Kachchh (Gujarat), was incorporated in February 2016 by Mr. Sanjay Kumar Agrawal. VFML is engaged in the manufacturing and trading of Low Ash Metallurgical (LAM) Coke. The manufacturing plant of the company is located at Bhachau and Lunva, at an optimum distance of 40 kilometres from Kandla Port. The current directors of the company are Mr. Sachin Kumar Agrawal, Mr. Sanjay Kumar Agrawal, Mr. Sandeep Kumar Agrawal, Mr. Gaurav Kumar, Ms. Rakhi Agrawal and Mr. Sarfaraz Mallick

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Vimla Fuels and Metals Limited (VFML) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operation along with experienced management.

VFML was incorporated in 2016 and is in the business of trading and manufacturing of Low Ash Metallurgical Coke. The company has been importing as well as procuring from the domestic market, the high graded coal required for the manufacturing of LAM Coke at its plants located in Gujarat. The company over the years have developed long standing relationship with its customer and suppliers in the domestic as well as exports markets. The company is currently headed by Mr. Sanjay Kumar Agrawal who has an extensive experience of over two and half decades in this industry. Further, he is also supported by Mr. Sachin Agarwal in the day-to-day operations of the business. The experience of the management is also reflected in the moderate scale of operations as seen by the revenue of Rs.623.79 crore in FY24 (Prov.) as against Rs.712.75 crore in FY23, along with improvement in margins for the company.

Acuite believes that company shall continue to benefit from its established presence and track record along with a healthy relationship with customers.

Moderate Financial risk profile

The financial risk profile of the company remained moderate marked by a healthy net worth, moderate gearing, and comfortable debt protection metrics. The net worth of the company stood healthy at Rs. 175.04 Cr. as on March 31, 2024 (Prov.) as against Rs. 104.87 Cr. as on March 31, 2023. The increase in net worth is primarily due to accretion of profits to reserves and capital raised by the company. The company has raised Rs.31.29 crore of funding as a pre ipo round from various individual investors. The gearing of the company stood at 0.2 times as on March 31, 2024 as against 0.19 times as on March 31, 2023. The TOL/TNW stood at 2.04 times as on March 31, 2024 (Prov.) as against 2.31 times as on March 31, 2023. The debt protection metrics stood strong with DSCR and Interest coverage ratio standing at 5.6 times and 7.97 times respectively as on 31st March 2024 (Prov.).

Acuite expects the financial risk profile of the company may continue to remain moderate, with no major debt funded capex plan in medium term against the steady cash accruals.

Locational advantage along with healthy operating margins

The manufacturing plant of the company is strategically located at Bhachau and Lunva in Kutch district of Gujarat. The plant is located at an optimum distance of 40 kilometres from Kandla Port which gives the company dual advantage for transportation of raw material - coking coal from different parts of world and also aids in managing its export orders efficiently. The company has two coke oven plants of which one plant is self-owned by VFML and the other run-on rental basis having a total installed capacity for the company at 1,86,000 metric tonnes p.a. of coke.

Further, the operating margins of the company have remained healthy at 9.91 percent in FY24 (Prov.) as against 8.28 percent in FY23. Along with this PAT margins also increased to 6.23 percent in FY24 (Prov.) as against 5.97 percent in FY23.

Weaknesses

Intensive working capital operations of the company

The working capital operations of the company remains intensive marked by GCA days of 262 days in FY 2024 (Prov.) as against 161 days in FY 2023. The GCA days are comprised of high inventory, high debtor and other current assets consisting of advances to suppliers and statutory deposits. The debtor days stood at 101 days in FY 2024 (Prov.) as against 73 days in FY 2023. The Company has policy of 30-40 days credit period to its reputed and established customers, however in case of new customers company take advance. Further in case of export the company provide credit period of 40-50 days from dispatched date. However, all the export orders are backed by letter of credit. The inventory for the company stood at 136 days in FY 2024 (Prov.) as against 39 days in FY 2023. This high inventory was on account of large export order being undertaken by the company towards the year end. However, the creditors days stood at 171 days in FY 2024 (Prov.) as against 113 days in FY 2023. The average bank limit utilisations for the fund-based facility stood at 93 percent and for the non-fund-based facility stood at 89 percent in last 12 months ended June 2024.

Acuite believes that working capital operations of VFML may continue to remain intensive considering the nature of operations.

Inherent cyclical nature of the industry.

The Company is into manufacturing of LAM coke which are largely used in production of steel, which is mixed with iron ore. Domestic met coke industry is witnessing some pressure from the dumping of met coke by China and other countries, as the domestic prices tend to be higher than the imported met coke. This is also seen in the year-on-year realizations for the company which is in downward trend. Going forward it is expected that the pressure will continue to remain in near term for the company.

Rating Sensitivities

- Any further deterioration in the working capital.
- Growth in the revenue along with further improvement in operating margins.

Liquidity Position Adequate

Company's liquidity position is at adequate levels marked by sufficient net cash accruals against repayment obligations. The company earned cash accrual of Rs.39.09 Crore in FY 2023-24 against minor debt repayment obligation of Rs.0.4 Crore. Further the company also had unencumbered fixed deposit of amount Rs. 41.32 crore as on 31st March 2024. The current ratio stood at 1.47 times as on 31st March 2024 (Prov.). The average bank limit utilisations for the fund-based facility stood at 93 percent and for the non-fund-based facility stood at 89 percent in last 12 months ended June 2024. The company has further sanctioned fresh working capital facilities from CSB bank, the utilization for which is expected to start from August 2024. This will further help the company in managing its operations effectively.

Acuite believes that liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on VFML will continue to remain 'Stable' over the medium term backed by its long track record of operations, experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any further deterioration in the working capital operations of the company leading to stretched in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	623.79	712.75
PAT	Rs. Cr.	38.87	42.57
PAT Margin	(%)	6.23	5.97
Total Debt/Tangible Net Worth	Times	0.20	0.19
PBDIT/Interest	Times	7.97	11.17

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Stable Assigned
CSB Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	46.75	ACUITE A3+ Assigned
CSB Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.99	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jan 2027	Simple	2.26	ACUITE BBB Stable Assigned

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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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