



Press Release

Hind Unitrade Private Limited

February 13, 2024

Ratings

Facilities	Rated Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.40	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Upgraded from IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook Issuer Not Cooperating) and removed from Issuer Not Cooperating category	Simple
Long Term Bank Facilities	62.99	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	108.39 (One hundred and eight crore and thirty nine lakhs only)			

**Issuer did not cooperate; based on best available information*

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the rating of Hind Unitrade Private Limited (HUPL) into Issuer Not Cooperating category vide its press release dated July 31, 2023 due to non-submission of information required for the detailed review of the Company. However, the Company has started cooperating and has submitted the required information. Consequently, Infomerics has removed the rating from the 'ISSUER NOT COOPERATING' category and upgraded the rating.

The rating assigned to the bank facilities of Hind Unitrade Private Limited (HUPL) derives strength from its long track record of operations under experienced promoters with proximity



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to coal mines by virtue of its presence in Ambikapur (Chhattisgarh). The rating also favourably factors in the healthy improvement in its scale of operations and profits in FY23 and current fiscal despite operating in a highly fragmented industry, and its moderate capital structure coupled with comfortable debt protection metrics. However, these rating strengths are constrained due to its low profit margins owing to its trading nature of business coupled with intense competition in coal trading business with exposure to government regulations, and its working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Steady growth in scale of operations with improvement in the margins of the Company.
- Improvement in the capital structure of the company.
- Improvement in the debt protection metrics of the company.

Downward Factors

- Deterioration in the margins with EBITDA margin along with the deterioration in the scale of operation on a sustained basis.
- Deterioration in the capital structure of the Company.
- Moderation in the debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations under experienced promoters**

The Company was established in 2010, and the promoters of the company Mr. Sanjay Mittal and Mr. Vinod Kumar Agarwal have around two decades of experience in coal trading which helped them to establish strong relationship with a diverse customer base leading to repeat orders.



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- **Proximity to coal mines by virtue of the Company's presence in Ambikapur, Chattisgarh**

HUPL has the locational advantage of operating in the mineral rich area of Ambikapur, Chhattisgarh.

- **Healthy improvement in the scale of operations and profits in FY23 and current fiscal despite operating in a highly fragmented industry**

Total operating income (TOI) of the Company witnessed a healthy growth of ~15% YoY from Rs 439.27 crore in FY22 to Rs 504.51 crore in FY23 mainly due to very high increase in realisations of coal. EBITDA increased at ~17% YoY from Rs 18.72 crore in FY22 to Rs 21.96 crore in FY23 while PAT increased at ~14% YoY from Rs 11.88 crore in FY22 to Rs 13.57 crore in FY23. EBITDA margin improved from 4.26% in FY22 to 4.35% in FY23 while PAT margins were maintained at around 2.70% in both FY22 and FY23. TOI for the period April 2023 to October 2023 increased by ~48% YoY to Rs 324.59 crore from Rs 220.01 crore in April 2022 to October 2022 while the increase in EBITDA and PAT over the same comparable periods were 60% and 71% respectively. EBITDA margin improved from 4.32% to 4.69% while PAT margin improved from 2.60% to 3.00%.

- **Moderate capital structure with comfortable debt protection metrics**

The debt profile of the Company mainly comprised of working capital borrowings. Further, the Company had a moderate net worth base of Rs 42.69 crore as on March 31, 2023. However, the Company had subordinated unsecured loans from its directors and treating the same as quasi equity the tangible net worth stood at Rs 49.56 crore. The capital structure of the Company remained moderate over the past three years mainly due to its high requirement of working capital and its moderate net worth base. The overall gearing ratio and long term debt equity ratio of the company considering quasi equity stood at 1.56x and 0.11x respectively as on March 31, 2023. Further, the total indebtedness of the company marked by TOL/TNW considering quasi equity remained moderate at 3.86x as on March 31, 2023. Debt protection metrics of the company remained comfortable with maintenance of the interest coverage ratio at over 5x in FY22 and FY23. DSCR improved from 2.57x in FY22 to 3.25x in FY23.



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Key Rating Weaknesses

- **Low profit margins owing to trading nature of business**

Notwithstanding its growth in revenue, the operating profit margin of the Company remained thin and rangebound in the range of 3.66%-4.35% during FY21-FY23 due to its low value additive trading nature of operation with low product differentiation. The PAT margin of the Company also remained rangebound between 1.98% and 2.70% during FY21-23.

- **Intense competition in coal trading business with exposure to government reulations**

The company mainly trades in domestic coal. The coal trading industry is highly fragmented with presence of many organised and unorganised players. Similarly, the steel trading industry is also characterised by large numbers of organised and organised players leading to intense competition. Limited value addition in trading activities restricts the pricing flexibility and in turn exerts pressure on the company's margins. Further, coal is an important natural resource and its mining and industry-wise allotment is regulated by the Government of India. Any adverse change in the regulatory framework is likely to impact the operations of the company.

- **Working capital intensive nature of operations**

The operations of the company is working capital intensive as the company needs to procure coal through advance payment or on spot payment whereas it has to extend credit period to its customers. Further, a large part of its working capital remained blocked in advances to SECL.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)



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[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The current ratio of the Company was 1.25x on March 31, 2023 and this ratio is expected to remain between 1.31x and 1.45x between March 31, 2024 and March 31, 2026. The GCAs of FY24-26 are comfortable enough to cover the debt repayments due in those years. The fund based working capital utilisation remained at ~52% during the past 12 months ended November 2023 indicating adequate liquidity buffer.

About the Company

Hind Unitrade Private Limited (HUPL) was incorporated in March 2010 by Mr. Vinod Kumar Agarwal and Mr. Sanjay Mittal in Raipur, Chhattisgarh. The company is mainly engaged in trading of coal and coal processing business which includes activities like procurement of coal by participating in e-auction, lifting of coal from mines and crushing it as per client's requirements. From FY 19-20 company has also entered into business of Trading of Iron Ore, Sponge Iron and other Iron & Steel products. HUPL's coal crusher facility is located at Ambikapur, Chhattisgarh.

Financials (Standalone):

For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	439.27	504.51
EBITDA	18.72	21.96
PAT	11.88	13.57
Total Debt	42.92	77.15
Tangible Net Worth (including quasi equity)	35.99	49.56
EBITDA Margin (%)	4.26	4.35
PAT Margin (%)	2.70	2.69
Overall Gearing Ratio (including quasi equity) (x)	1.19	1.56

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: CARE Ratings had continued the ratings of the Company in the Issuer Not Cooperating category due to non-availability of information, vide PR dated February 01, 2024.

Any other information: NA

Rating History for last three years:

S. No.	Facilities	Current Rating (FY 2023-24)				Rating History for last 3 years		
		Type	Amount outstanding (Rs. Crore)	-	July 31, 2023	Date(s) & Rating(s) assigned in 2022-23 (June 29, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	UGCEL	Long Term	3.79	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-	-
2.	Cash Credit	Long Term	100.00	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-	-
3.	Working Capital Demand Loan	Long Term	4.60	IVR BBB-/ Stable	-	-	-	-

**Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facilities (Rs. Crore)	Rating Assigned/ Outlook
UGCEL 1	-	-	June 2024	1.07	IVR BBB-/ Stable
UGCEL 2	-	-	February 2027	2.72	IVR BBB-/ Stable
Cash Credit 1	-	-	-	42.00*	IVR BBB-/ Stable
Cash Credit 2	-	-	-	35.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	23.00	IVR BBB-/ Stable
Working Capital Demand Loan	-	-	-	4.60	IVR BBB-/ Stable

**LC of 20.00 is a sublimit.*

Annexure 2: List of entities considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-HindUnitrade-feb24.pdf>

Annexure 4: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.