



Press Release

Hind Unitrade Private Limited

June 29, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.40	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Total	45.40 (Forty Five Crore and forty lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

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 to coal mines by virtue of its presence in Ambikapur (Chhattisgarh). The rating also favourably factors substantial improvement in its scale of operations with improvement in profitability since the past four fiscals ended in FY22 and its moderate capital structure coupled with comfortable debt protection metrics. However, these rating strengths are constrained due to its thin profit margins owing to trading nature of its business coupled with intense competition in coal trading business with exposure to government regulations and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Steady growth in scale of operations with improvement in profit margins of the company
- Improvement in the capital structure of the company with improvement in TOL/TNW to below 3x.
- Improvement in the debt protection metrics of the company with sustained interest coverage at pover 4x

Downward Factors

- Deterioration in the profit margins with EBITDA margin moderated below 3% and/or moderation in the scale of operation on a sustained basis



Press Release

- Deterioration in the capital structure of the company with overall gearing moderated at over 2x.
- Moderation in the debt protection metrics with deterioration in interest coverage to below 2x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

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 diverse customer base leading to repeat orders.

- **Substantial improvement in the scale of operations despite being operating in highly fragmented industry**

Total operating income (TOI) of the company witnessed a healthy CAGR of ~77% during FY19-FY22 with a y-o-y growth of ~103% in FY22 mainly due to robust increase in demand of coal along with rise in sales realisation during the period. Coal trading contributes more than ~60% of its revenue during FY21 and ~80% of revenue in FY22.

- **Locational advantage being present coal mining area**

HUPL has location advantage of operating in the coal mining area of Ambikapur, Chhattisgarh.

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

the company has a moderate net worth base of Rs.27.47 crore as on March 31,2022. However, the company has subordinated unsecured loans from its directors and treating the same as quasi equity the adjusted tangible net worth (ATNW) stood at Rs.53.77 crore (excluding investments in group company worth Rs.0.34 crore). The debt profile of the company mainly comprised working capital borrowings. The capital structure of the company remained moderate over the past three account closing dates mainly due to its high requirement of working capital and its moderate net worth base. The overall gearing and long-term debt equity ratio of the company stood at 1.13x and 0.52x respectively as on March 31, 2022. Further, the total indebtedness of the company marked by TOL/ATNW remained moderate at 3.19x as on March 31,2022. Debt protection metrics of the company remained comfortable with improvement in the interest coverage ratio to 4.41x in FY22 from



Press Release

3.02x in FY21. Total debt to EBITDA also improved to 2.85x in FY22 from 3.89x in FY21 followed by improvement in Total Debt to GCA to 4.71 years in FY22 from 7.01 years in FY21.

Key Rating Weaknesses

- **Thin 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%-3.70% during FY20-FY22 due to its low value additive trading nature of operation with low product differentiation. However, the PAT margin of the company improved gradually from 1.05% in FY20 to 2.01% in FY22 mainly driven by healthy rise in absolute EBITDA.

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

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 are 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 advance s to SECL.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading companies](#)

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

Liquidity – Adequate



Press Release

The liquidity position of the company is expected to remain adequate characterized by its gross cash accruals which is expected in the range of Rs 9.59 crore to Rs 10.66 crore in the projected years FY23 to FY25 vis-à-vis its low repayment obligations in the projected years. The fund-based limit remained ~78% utilized during the past 12 months ended March 2022 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	(Rs. crore)	
	31.03.2021	31.03.2022
	Audited	Provisional
Total Income	215.85	437.35
EBIDTA	7.88	15.08
PAT	4.26	8.79
Total Debt	30.63	42.92
Tangible Net Worth	17.24	27.47
EBDITA Margin (%)	3.66	3.45
PAT Margin (%)	1.98	2.01
Overall Gearing Ratio (x)	1.11	1.13

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facility	Current Ratings (Year 2022-23)	Rating History for the past 3 years
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Press Release

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1.	UGECL	Long Term	3.40	IVR BBB-/Stable	-	-	-
2.	Cash Credit	Long Term	42.00	IVR BBB-/Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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Press Release

type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
UGECL	-	-	July 2024	3.40	IVR BBB-/Stable
Cash Credit	-	-	-	42.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Hind-Unitrade-june22.pdf>

Annexure 4: Detailed explanation of 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.