IDL Explosives Limited

May 13, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	15.00	IVR A-/RWDI (IVR Single A minus / Rating Watch with Developing Implications)	IVR A-/Stable (IVR Single A minus with Stable outlook)	Rating placed on watch with developing implications	Simple
Short Term Bank Facilities	342.40	IVR A2+/RWDI (IVR Single A Two Plus/ Rating Watch with Developing Implications)	IVR A2+ (IVR Single A Two Plus)	Rating placed on watch with developing implications	Simple
Total	**357.40**	**(Rupees Three hundred fifty- seven crore and forty lakhs only)**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Valuation and Rating Limited (IVR) has placed the ratings under 'Rating Watch with Developing Implications (RWDI)' for the bank loan facilities of IDL Explosives Limited (IDL).

The ratings has been placed under RWDI on account of proposed acquisition of the company by Apollo Defence Industries Private Limited for a sale consideration of Rs.107.00 crore. The transaction is currently pending shareholder approval of parent company i.e. GOCL Corporation Limited, with completion anticipated by June 2025. IVR will continue to monitor the developments in this regard and will resolve the watch once the process is completed.

The rating reaffirmation takes into consideration the improved financial performance by virtue of reduction in losses facilitated by better price mechanism with end users supported by stabilisation of raw material prices. The ratings continue to draw comfort from long track record of holding company, strong promoter group being part of Hinduja group with continued support and experienced management. The ratings further draw support from niche product segment with moderate scale of operation and operating cycle. However, these rating strengths are partially offset by moderately subdued credit metrics, customer concentration risk with Coal India Limited (CIL) accounting for majority of sales coupled with vulnerability of profitability to fluctuations in raw material price and concentration towards mining sector.

Infomerics Ratings has principally relied on the standalone audited financial results of IDL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.
- The rating will remain sensitive to an improvement in the credit profile of its parent

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to a decline in debt protection metrics.
- Any significant deterioration in the credit profile of its parent, or the weakening of linkages or strategic importance with the parent could put pressure on the rating.
- Any uncertainties in the performance of the company post-acquisition and shift in group backing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of the holding company**

  IDL is a 100% subsidiary of GOCL Corporation Limited (GOCL, IVR A-/Stable; IVR A2+). GOCL part of Hinduja group was incorporated in 1961 for manufacturing industrial explosives, reflecting a track record of more than 5 decades. In the past, the company had forayed into various segments like lubricants, mining, real estate, wind energy, food chemicals, pharmaceuticals, etc. through various joint ventures/ subsidiaries. Currently, GOCL has its presence mainly in energetic & explosives with real estate and mining segments.

- **Strong promoter group and experienced management; continuous support from Hinduja group**

The company is a part of the Hinduja Group which has a long-established track record started in 1918. It is one of the largest diversified groups having presence in around 30 countries in sectors encompassing automotive, oil & gas, banking & finance, power, IT & BPO, media and healthcare. The Hinduja group has provided timely and adequate financial support to IDL whenever there has been any requirement.

- **Niche product segment**

IDL operates in a niche product segment wherein it manufactures cartridge, bulk explosives and cladded products which are mainly used in the mining sector. Also, it is in the process of developing new products which will find application in the metal cladding etc for which the company already has some small orders in place.

- **Moderate Scale of operations along with decline in net losses in FY24**

Total operating income (TOI) of IDL has declined y-o-y by 20.35% in FY24 i.e. from Rs.782.04 crore in FY23 to Rs. 622.89 crore in FY24. The decline is primarily on account of fall in realisation on account of corresponding fall in raw material prices primarily Ammonium Nitrate. The company has reported operational loss of Rs. 3.89 crore in FY24, although same has declined from loss of Rs. 26.12 crore in FY23. This loss is on account of higher operational cost although the quantum of loss has declined during FY24 on account of decline in raw material consumption cost along with decline in manufacturing expenses. Subsequently the company registered net loss of Rs. 20.88 crore in FY24 as compared to net loss of Rs. 32.80 crore in FY23. The Gross Cash Accrual of the company stood negative at Rs. 19.98 crore in FY24 as compared to negative of Rs. 38.76 crore in FY23 on account of net loss continued to be reported by the company.

- **Moderate operating cycle**

The average operating cycle of the company stood moderate at 44 days in FY24 and FY23 mainly driven by inventory period of 65 days, collection period of 40 days in FY24 which was 73 days and 29 days respectively in FY23.

B. Key Rating Weaknesses

- **Moderate credit metrics**

The overall gearing ratio (including quasi equity) of the company stood at 4.20 times as on March 31, 2024, deteriorated from 2.68 times as on March 31, 2023, on account of decline in tangible net worth (TNW) of the company. The inter corporate loan to the tune of Rs.31.04 crore (discounted value Rs.28.74 crore) as on March 31, 2024, have been considered as quasi-equity as the same are subordinate to bank debt. The total indebtedness of the company as reflected by TOL/ATNW (including quasi equity) stood at 7.05x as on March 31, 2024, deteriorated from 6.63x as on March 31, 2023, on account of decline in TNW. Total Debt to GCA stood at -5.34 years in FY24 compared to -3.51 years in FY23 due to net losses during the year.

- **Customer concentration risk**

The Company's top four customers accounted for around 83.23% of the total sales made in FY24, reflecting high customer concentration risk for the company. However long track record of business and sound credit profile of customers provides some comfort. In July 2024 CIL has debarred IDL for not awarding new contract for a period of two years on account of breach of requisite terms of contract, however management expects the same to lifted in short period of time. Nonetheless the ruling has not impacted the existing orders from CIL which will continue to function as per the terms and conditions.

- **Vulnerability of profitability to fluctuations in raw material price**

The basic raw materials required by the company are chemicals primarily ammonium nitrate, metals etc. the prices of which are volatile in nature. Hence, the profitability of IDL is exposed to variations in raw material prices. However, the prices of raw material have remained volatile in FY2023 but now in FY24 the prices have stabilised to a certain extent. Further, the terms of agreement with Coal India Limited has changed wherein time period for fixing prices has been changed to 1 month from earlier 3 months.

- **Concentration towards the mining sector**

The products manufactured by the company are mainly used in the mining sector, which is highly regulated. Any adverse changes in the regulatory and environmental framework remain the key rating sensitivities.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.]
[Rating Methodology for Parent and group support]
[Criteria on assigning rating outlook]
[Policy on Default Recognition and Post-Default Curing Period]
[Complexity Level of Rated Instruments/Facilities]
[Financial Ratios & Interpretation (Non- Financial Sector)]
[Criteria on Rating Watch]

Liquidity – Adequate

The liquidity position of the company is adequate, marked by expected sufficient cash accruals as against its repayment obligations. Further the company derives support from parent company in case of any temporary mismatch in repayment. The company's average fund based working capital limit utilization stood moderate at 12.09% for the last 12 months ended May 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.3.20 crore as on March 31, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the company stood moderate at 0.77x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 17.49 Cr. - Rs. 30.26 Cr. during FY25-27. The working capital cycle of the company stood at 44 days in FY24 days which was similar at 44 days in FY23.

About the Company

IDL Explosives Limited (IDL) was incorporated in 2010. The company is a part of the 'Hinduja Group' which is one of the largest diversified groups in the country spanning various sectors of the economy. The company is a wholly owned subsidiary of GOCL Corporation Limited (GOCL). The Company is located at Hyderabad (Andhra Pradesh). At the time of inception of this company, the bulk explosives division of GOCL was demerged and IDL was formed. At present, the company is engaged in the manufacture of bulk explosive and cartridge products which are used in the mining & infrastructure segment. Also, the company manufactures explosive bonded metal clads.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	782.04	622.89
EBITDA	-26.12	-3.89
PAT	-32.80	-20.88
Total Debt	135.89	106.66
Adj. Tangible Net Worth (including quasi equity)	50.71	25.41
EBITDA Margin (%)	-3.34	-0.62
PAT Margin (%)	-4.18	-3.34
Overall Gearing Ratio (x)	2.68	4.20
Interest Coverage (x)	-1.73	-0.22

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
						May 24, 2023	Feb 25, 2022
1.	Fund Based Limits	Long Term	15.00	IVR A-/ RWDI	IVR A-/ Stable	IVR BBB+/ Stable	IVR A-/Stable
2.	Non-Fund Based	Short Term	342.40	IVR A2+/ RWDI	IVR A2+	IVR A2	IVR A2+

Analytical Contacts:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

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.

For more information and definition of ratings please visit www.infomerics.com

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Cash Credit	-	-	-	-	15.00	IVR A-/RWDI
Short Term Facility – Bank Guarantee	-	-	-	-	117.00	IVR A2+/RWDI
Short Term Facility – Bank Guarantee	-	-	-	-	225.00	IVR A2+/RWDI
Short Term Facility – Forex Derivatives	-	-	-	-	0.40	IVR A2+/RWDI

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-idlel-may25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.