

Infomerics Valuation And Rating Pvt. Ltd.

Indo Unique Flame Limited

March 29, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	28.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Bank Facilities- Short Term	39.00	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the long track record of operations of the Company, and its above average capital structure. These strengths are partially offset by the volatility in its topline, customer concentration in its revenue profile, working capital intensive operations and modest debt protection metrics. Improvement in scale of operations and profitability, working capital management and debt protection parameters are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations

IUFL has been engaged in the coal business for over three decades. Prior to setting up of the coal washery at MIDC, Wani, Maharashtra in 1999, the company was engaged in coal trading. Long standing presence in the industry has helped the company build established relationship with both customers and suppliers.

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Above average capital structure

The capital structure of IUFL remained above average as reflected in TOL/TNW of 1.86x as on March 31, 2018. The same is expected to improve further over the medium term on the back of improvement in net worth driven by higher accretion of profits and the absence of any debt funded capex plan.

Key Rating Weaknesses

Volatile top line

The topline of IUFL has remained volatile. The Company registered a y-o-y growth of ~127% in its total operating income to Rs.126.4crore in FY17 over FY16, driven by a job work order received from Karnataka Power Corporation Limited (KPCL) during the year which comprised for ~50 % of the revenues for the year. In FY18, the Company clocked revenues of Rs.59.08crore. For the eleven months ended Feb, 2019, IUFL clocked revenues of Rs.59.88crore.

Customer concentration in revenue profile

IUFL is exposed to customer concentration risk as the top ten customers comprised 92.24% of its sales in FY18. Further, the company derived 46 % of its sales from top 2 customers.

Working capital intensive operations

The operations of the Company are highly working capital intensive as reflected in operating cycle of 414 days as on March 31, 2018. The same has increased from 144 days as on March 31, 2017 on account of the stretch in receivables.

Modest debt protection metrics

The debt protection parameters of the company remained modest with the interest coverage ratio of 1.60x and Total debt/GCA of 21.33x as on March 31, 2018.

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Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

IUFL is expected to generate sufficient cash accruals over the medium term as against their small repayment obligations. Liquidity is supported by financial support from promoters and related parties in the form of unsecured loans at nominal interest, which stood at Rs.18.02crore as on March 31, 2018. However, the company's working capital bank limits remained highly utilized at an average of 89 per cent over the twelve months through FY18 which is expected to improve with better recovery of receivables.

About the Company

Indo Unique Flame Ltd (IUFL) was incorporated in 1987 by Mr.Hariom Choudhary. Initially, the Company was engaged in coal trading. Subsequently in 1999, the promoters set up a washery at MIDC,Wani, Maharashtra.

At present IUFL operates two washeries, one at MIDC,Wani and the other at Punwat with an installed capacity of 4.4 million tons.

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Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	126.40	59.08
EBITDA	7.34	7.22
PAT	1.43	0.82
Total Debt	40.89	47.17
Tangible Net worth	39.44	40.26
EBITDA Margin (%)	5.80	12.22
PAT Margin (%)	1.13	1.38
Overall Gearing Ratio (x)	1.04	1.17

*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/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	28.00	IVR BB+/Stable	-	-	-
2.	Short Term Non Fund Based Limits –Bank Guarantee*	Short Term	39.00	IVR A4+	-	-	-

* Rs7crore sub limit of LC within BG

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining

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prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	Varied	On demand	28.00	IVR BB+/Stable
Short Term Bank Facilities –Bank Guarantee	-	-	< 1 year	39.00	IVR A4+