

January 23, 2023

Imcola (Exports) Limited: [ICRA]A2+(CE) rating withdrawn and simultaneously [ICRA]A3 assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action^
Fund-based limits	30.0	30.0	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned
Non-fund based facilities	0.84	0.84	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned
Unallocated limits	76.16	69.16	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned
Total	107.00	100.00	

*Instrument details are provided in Annexure-I

^Note - The earlier unsupported rating remains unchanged at [ICRA]A3 as per disclosure in the rationale dated March 11, 2022

Rationale

ICRA has withdrawn its rating of [ICRA]A2+(CE) assigned to the bank facilities of Imcola (Exports) Limited (IEL) and has simultaneously assigned a fresh rating of [ICRA]A3 for these facilities. The rating action follows the Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the credit rating agencies on April 22, 2022, and July 26, 2022, respectively, guiding that the benefit of a letter of comfort (LoC) is not to be considered while assigning the credit enhanced (CE) ratings. To align itself with the above regulatory guidance, ICRA would no longer be considering in its credit assessments the benefit of an LoC. Accordingly, ICRA has assigned the rating of [ICRA]A3 to the above bank facilities of IEL, while withdrawing the [ICRA]A2+(CE) rating.

The rating factors in the strong parentage of IEL, being part of IMC Limited, which has an established track record of more than five decades and is a leading player in the domestic bulk liquid storage tank terminals industry. Further, the rating factors in IEL's healthy capital structure with gearing of 0.02 times as on March 31, 2022 and healthy coverage metrics with interest coverage of 5.08 times for FY2022. The rating, however, is constrained by IEL's modest scale of operations and the lumpy nature of the order flows, which amid the inherent seasonality in the business, have resulted in volatile cash flows and margins depending on the timing of the sales. The rating also takes into account IEL's high customer concentration risk with the top three clients accounting for the entire sales.

Key rating drivers and their description

Credit strengths

Strong parentage – IEL is a wholly-owned subsidiary of IMC Limited (IMC). IMC has an established track record of more than five decades and is a leading player in the domestic bulk liquid storage tank terminal industry. The Group currently owns around 360 storage tanks spread over 14 ports, with a combined capacity of over 1.1 million kilolitres (kl). The Group also operates liquid terminals at the Ennore and Visakhapatnam ports.

Healthy capital structure – IEL's capital structure continues to be healthy, given the low debt levels. The gearing and total outside liability/tangible net worth remained low at 0.02 times and 1.71 times, respectively, as on March 31, 2022. The utilisation of the average fund-based facility has been at 39% in the last one year ended December 2022. The coverage metrics

remained healthy with interest coverage of 5.08 times in FY2022 owing to low interest costs on account of lower utilisation of limits.

Credit challenges

Volatile revenues and margins - The demand for molasses is highly seasonal. The availability of molasses for exports depends on the competitive demand from the Indian liquor industry and the price offered in the export markets, resulting in volatile revenues and margins for IEL. The operating income increased to Rs. 158.47 crore in FY2022 and to Rs. 114.61 in 8M FY2023 from Rs. 60.61 crore in FY2021, driven by improved export demand of molasses. Revenue from furnace oil (FO) was marginal in FY2020 and FY2021 but increased to ~Rs. 48 crore in FY2022, though it was nil in 8M FY2023.

High customer concentration - IEL has high customer concentration with the top three clients accounting for the entire sales. However, the company enjoys a long-standing relationship with these clients and has not faced any receivable issues.

Liquidity position: Adequate

The liquidity position of IEL is adequate as at the standalone level the company does not have any long-term debt or capex plans and its liquidity is supported by a significant portion of unutilised working capital limits. The average fund-based facility utilisation has been at 39% in the last one year ended December 2022.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if IEL demonstrates a healthy growth in revenue and profitability on a sustained basis while maintaining the capital structure. Further, improvement in the credit profile of the parent company could be a positive trigger.

Negative factors – Pressure on IEL's ratings could arise if there is any significant deterioration in its credit metrics on a sustained basis. Further, weakening in the parent company's credit profile or weakening of linkages with the parent could be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Trading Industry Rating Approach – Implicit parent or group support Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent/Group Company : IMC Limited The ratings factor in the benefits arising from being a part of IMC Limited and the potential financial support from the Group, should the need arise.
Consolidation/Standalone	The rating is based on the standalone financial statements of the company.

About the company

Imcola (Exports) Ltd. (IEL) was established in 1992 as a 100% subsidiary of IMC, and commenced operations by taking over the molasses export business of the IMC Group. IEL enjoys stable business from the long-term relationship with its clientele and has a good network of suppliers. IEL also occasionally undertakes import trading of furnace oil depending on client requirement. It has a dedicated international trading department (ITD) of marketing and research personnel, which assesses the availability and market conditions for molasses trading. The company holds a current Good Manufacturing Practices (cGMP) certificate from PDV and The Netherlands Feed Board, which allows IEL to export to the Netherlands, France, the UK, Germany and Belgium.

Key financial indicators (audited)

IEL Standalone	FY2021	FY2022
Operating income	60.61	158.47
PAT	0.13	0.72
OPBDIT/OI	-0.86%	1.39%
PAT/OI	0.22%	0.46%
Total outside liabilities/Tangible net worth (times)	0.47	1.71
Total debt/OPBDIT (times)	-0.72	0.36
Interest coverage (times)	-1.43	5.08

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2023)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in	Date & rating in	Date & rating in FY2021	Date & rating in FY2020
					Jan 23, 2023	March 11, 2022	Oct 19, 2020	Sep 30, 2019
1	Fund based facilities	Short Term	30.00	-	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)
2	Non fund based facilities	Short Term	0.84	-	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)
3	Unallocated limits	Short Term	69.16	-	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)	[ICRA]A2+(CE) (Unsupported Rating [ICRA]A3)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term fund-based limits	Simple
Short-term – Non fund-based facilities	Simple
Short term unallocated facilities	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
-	Packing credit in foreign currency	NA	NA	NA	30.00	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned
-	Credit equivalent limit for forward contract	NA	NA	NA	0.84	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned
-	Unallocated limits	NA	NA	NA	69.16	[ICRA]A2+(CE) withdrawn and simultaneously [ICRA]A3 assigned

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: NA

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Branches



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