

March 22, 2024

Imcola (Exports) Limited: Rating downgraded to [ICRA]A4+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term fund-based limits	30.0	30.0	[ICRA]A4+; downgraded from [ICRA]A3
Short-term non-fund based facilities	0.84	0.84	[ICRA]A4+; downgraded from [ICRA]A3
Unallocated limits	69.16	69.16	[ICRA]A4+; downgraded from [ICRA]A3
Total	100.00	100.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action factors in the imposition of a 50% export duty on molasses by the Government of India, impacting Imcola (Exports) Limited's (IEL) core business profile and causing uncertainty over its future revenues and cash flows. ICRA notes that the company has access to a wide range of tank farms owned by the Group, though diversification of the revenues through trading in other commodities or resuming the trading of molasses will remain a key monitorable.

The rating is also constrained by IEL's modest scale of operations and the lumpy nature of the order flows, which have resulted in volatile cash flows and margins amid the inherent seasonality in the business and regulatory risks. The revenues declined to Rs. 49.7 crore in 11M FY2024 from ~Rs. 189 crore in FY2023 owing to a weak monsoon and the imposition of export duty.

The rating, however, factors in the strong parentage of IEL, being part of IMC Limited (IMC), which 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 rating also factors in the comfortable capital structure with nil debt levels as on December 31, 2023.

Key rating drivers and their description

Credit strengths

Strong parentage – IEL is a wholly-owned subsidiary of IMC Limited. 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 across 14 ports, with a combined capacity of over 1.2 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 nil and 0.13 times, respectively, as on March 31, 2023. The utilisation of the average fund-based facility has been nil in 11M FY2024.

Credit challenges

Volatile revenues and margins - The demand for molasses is highly seasonal, as witnessed in 11M FY2024. The availability of molasses for exports depends on the seasonality, regulatory actions, domestic sugar production levels, 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 declined to Rs.49.7 crore in 11M FY2024 from Rs. 189.9 crore in FY2023, driven by a weak monsoon that

lowered the availability of molasses and the recent imposition of 50% export duty by the Government of India. The operating margins turned negative in 9M FY2024 against 1.1% in FY2023, which also impacted the coverage metrics.

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 the standalone entity does not have any long-term debt or capex plans and its liquidity is supported by unutilised working capital limits, which remained nil in 11M FY2024.

Rating sensitivities

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

Negative factors – Pressure on IEL’s rating 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
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)

Imcola (Exports) Limited	FY2022	FY2023	9MFY2023*
Operating income	158.47	189.91	27.54
PAT	0.72	3.60	1.95
OPBDIT/OI	1.4%	1.1%	-1.8%
PAT/OI	0.5%	1.9%	7.1%
Total outside liabilities/Tangible net worth (times)	1.71	0.13	0.60
Total debt/OPBDIT (times)	0.36	-	-
Interest coverage (times)	5.08	2.55	-41.57

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 01, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Mar 22, 2024	Jan 23, 2023	Mar 11, 2022	Oct 19, 2020
1 Fund-based limits	Short term	30.00	-	[ICRA]A4+	[ICRA]A3	[ICRA]A2+(CE)	[ICRA]A2+(CE)
2 Non-fund based facilities	Short term	0.84	-	[ICRA]A4+	[ICRA]A3	[ICRA]A2+(CE)	[ICRA]A2+(CE)
3 Unallocated limits	Short term	69.16	-	[ICRA]A4+	[ICRA]A3	[ICRA]A2+(CE)	[ICRA]A2+(CE)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term fund-based limits	Simple
Short-term non-fund based facilities	Very Simple
Short-term unallocated limits	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	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]A4+
-	Credit equivalent limit for forward contract	NA	NA	NA	0.84	[ICRA]A4+
-	Unallocated limits	NA	NA	NA	69.16	[ICRA]A4+

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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