

December 31, 2024

IRC Natural Resources Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based – Term Loan	-	2.25	[ICRA]BBB- (Stable); Reaffirmed
Long Term - Fund Based – Cash Credit	1.00	1.00	[ICRA]BBB- (Stable); Reaffirmed
Long Term/Short Term - Non-Fund Based – Bank Guarantee	29.00	26.75	[ICRA]BBB- (Stable)/[ICRA]A3; Reaffirmed
Long Term – Unallocated limit	6.00	6.00	[ICRA]BBB- (Stable); Reaffirmed
Total	36.00	36.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation continues to factor in the significant experience of the promoters of IRC Natural Resources Private Limited (INRPL) in the contract mining, logistics and cargo handling businesses and the company's track record of serving its clients satisfactorily. The presence of price variation clause in INRPL's existing cargo handling operation at the Haldia Dock Complex, which is a key business segment at present, protects the segment's profitability from adverse movement in input costs, to a large extent. The ratings also consider the conservative capital structure and the comfortable debt coverage metrics of INRPL. The company's operating margin declined to some extent to 10.6% in FY2024 from 15.6% in FY2023 mainly on account of a significant increase in the consumable expenses during the downtime of one of the cranes deployed at the Haldia Dock Complex. However, INRPL booked a profit of ~Rs. 4.4 crore from sale of a land parcel, which along with decline in depreciation and lower interest expenses led to an increase in the net profit to Rs. 6.9 crore in FY2024 from Rs. 3.1 crore in FY2023.

The ratings consider a delay in ramp-up of sales volume from the black stone mining segment due to land acquisition related issues, vulnerability of the cargo handling segment to the economic cycles causing variation in export and import volumes and operational challenges associated with Haldia Dock Complex, which requires periodic dredging as it is a riverine port. The ratings are also constrained by the company's modest ROCE, given its sizeable investment in properties and financial exposure to Group companies without commensurate returns. ICRA also notes that the long-term contract won by INRPL from Inland Waterways Authority of India (IWAI) for operating (through a subsidiary) the multimodal terminal at Haldia, West Bengal, is yet to commence due to a delay in handover of the terminal by IWAI. INRPL has also been selected recently by West Bengal Mineral Development and Trading Corporation Ltd. (WBMDTC) as its joint venture (JV) partner to undertake rock phosphate mining operation in a mine located at Beldih in Purulia, which has been allotted to WBMDTC by the West Bengal Government. While the respective mine is likely to be handed over by the Government shortly, commencement of operation of the mine will remain contingent upon receipt of regulatory approvals. Nevertheless, the new contracts would support INRPL's consolidated revenues and cash accruals, after commencement of operation.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that healthy volumes of the cargo handling and clay mining segments are likely to keep INRPL's profits and cash accruals at comfortable levels. The company's overall credit profile is likely to remain comfortable with limited debt and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Promoter's experience in contract mining, logistics and cargo-handling businesses – INRPL, a part of the Kolkata-based IRC Group, has been promoted by Mr. Anil Gupta, who has a significant experience in the field of contract mining for overburden removal, blasting, site preparation etc. as well as logistics business. The company has been involved in cargo handling business from 2016. The company has a track record of satisfactorily serving its clients.

Presence of price variation clause in the cargo handling contract protects profitability in the segment – The company commenced cargo handling operation at berth number 13 of Haldia Dock Complex in 2016 and the contract is valid till 2026. The cargo handling charges factor in the price variation of the input costs (wages and fuel charges). The charges remain linked to the benchmark indices and are revised at regular intervals. The presence of the price variation clause in the cargo handling contract protects the segment's profitability to a large extent.

Contract from IWAI and rock phosphate mining venture would diversify revenue stream, albeit delay in commencement of operation – The company won a long-term contract from IWAI in December 2021 for operating the multimodal terminal at Haldia, West Bengal, through a special-purpose vehicle (SPV) named IRC Multimodal Haldia Pvt. Ltd. (IMHPL). There has been a delay in commencement of the contract as the terminal is yet to be handed over by IWAI to INRPL due to delay in dredging operation at the terminal. Besides, INRPL has recently been selected by WBMDTC as a joint venture partner to undertake rock phosphate mining operation in a mine located at Beldih in Purulia, which has been allotted to WBMDTC by West Bengal Government. The name of the JV is Bengal IRC Rock Phosphate Limited. While the mine is likely to be handed over by the Government shortly, regulatory approvals for mining are yet to be obtained. Both the IWAI and the rock phosphate mining contracts would augment revenues and cash flows, going forward. However, commencement of operation from these two segments is likely to take time.

Conservative capital structure and comfortable debt coverage metrics – Limited debt level vis-a-vis a healthy tangible net worth led to a conservative capital structure of the company, historically. The company's TOL/TNW stood at 0.2 times over the last four fiscals. The debt coverage metrics remained healthy, as reflected by an interest coverage and total debt/OPBDITA of 11.5 times and 0.7 times in FY2024 vis-à-vis 8.4 times and 0.6 times, respectively, in FY2023. The company's DSCR remained comfortable at more than 2 times over the last three fiscals, on the back of limited debt repayment obligation.

Credit challenges

Delay in scaling up of black stone mining segment restricting revenue growth – The company has mining contracts for a clay mine and two black stone mines in Birbhum, West Bengal, from West Bengal Mineral Development and Trading Corporation Ltd. (WBMDTC). The company also won the contract for another black stone mine in Purulia, West Bengal, however, it has surrendered the same due to resistance from the local community. The operation of the clay mine commenced from January 2021, and the output from the same is satisfactory. However, the sales volume of black stone has not picked up due to land acquisition related issues, restricting INRPL's revenue growth. One of the black stone mines in Birbhum (Hatgacha) has been operational from the end of FY2022. However, INRPL is currently mining only on a small part of the overall land allocated by WBMDTC for the mine due to encroachment on the rest of the land. The second black stone mine in Birbhum (Jethia) has not yet commenced operation due to persisting issues related to land acquisition.

Cargo handling business volumes remain vulnerable to economic cycles, export-import volumes and operational challenges related to a riverine port – The company's cargo handling operation remains exposed to vulnerability of the end-user industries to economic cycles. The scale of the cargo handling business also remains vulnerable to factors like foreign exchange rate fluctuation, changes in duty structure, government policies, customers' preference on port selection etc., which impact export and import volumes. Being a riverine port, Haldia Dock Complex requires periodic dredging to maintain its draft and

navigability and is dependent on the Central Government's support for the same. Thus, continued support for dredging remains critical for operations and any reduction in support may have an adverse impact on operations.

Modest ROCE; sizeable investment in properties and Group companies affected overall returns – The company has a significant financial exposure in the form of investments, loans and advances to the Group companies and sizeable investments in properties without commensurate returns, negatively impacting the overall returns on its capital employed. Consequently, INRPL's ROCE remained low in the recent years, notwithstanding an improvement to 8.3% in FY2024 from 4.9% in FY2023 due to increased non-operating income from sales of land.

Liquidity position: Adequate

INRPL's liquidity position is adequate. The company's cash flow from operations declined in FY2024, but a gain of Rs. 4.4 crore from the sale of a plot supported the retained cash flow, which stood at Rs. 6.6 crore in FY2024 vis-a-vis Rs. 7.2 crore in FY2023. The company incurred capex of ~Rs. 2.7 crore in FY2024, out of which Rs. 2.25 crore was funded by a fresh term loan for setting up its white clay manufacturing unit. Long-term debt repayment obligation will remain at ~Rs. 2.9 crore in FY2025 and ~Rs. 0.2 crore in FY2026. In FY2025, INRPL's cash flow from operations and retained cash flow are likely to improve. Annual capex of Rs. 1-2 crore is expected in the near-to-medium term for the existing businesses. However, in future, the company may undertake higher capex for the new contracts. INRPL has invested Rs. 2 crore in the JV for rock phosphate mining in the current fiscal. Investments and loans to Group entities also may increase to some extent. However, INRPL has sizeable cash and fixed deposits (~Rs. 10 crore as on March 31, 2024) and its utilisation of the fund-based working capital limit remained nominal/negative in recent months (though the limit remains low at Rs. 1 crore only), which are like to support the company's liquidity position.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company's scale of operations improves significantly with sustained healthy profit margins.

Negative factors – Pressure on the ratings will emanate from any significant deterioration in profits and cash accruals of the company and/or weakening of its liquidity position due to any significant unanticipated debt-funded capex or a sizeable incremental financial exposure to Group entities. Specific credit metrics that may lead to a downgrade of the ratings include DSCR below 1.4 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Mining
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of INRPL

About the company

Incorporated in August 2002, INRPL is involved in cargo handling (loading/unloading) at Haldia Dock Complex and mining of clay (China clay and fire clay) and black stone in Birbhum, West Bengal. The company had also been involved in share trading earlier, however, the same was discontinued in FY2023. In December 2021, INRPL secured a long-term contract from IWA for operating the multimodal terminal at Haldia, for which the operation is yet to commence. INRPL has formed a special-purpose vehicle named IRC Multimodal Haldia Private Limited (IMHPL) through which the contract will be executed. INRPL holds a 60% stake in IMHPL, and the balance 40% is held by the promoters. Recently, INRPL has formed a JV named Bengal IRC Rock

Phosphate Limited, with a 74:26 ownership ratio between INRPL and WBMDTC as the latter has selected INRPL as its partner to develop and operate a rock phosphate mine located in Purulia, West Bengal. The respective mine is yet to be handed over by the Government and regulatory clearances for mining are yet to be obtained.

Key financial indicators (audited)

INRPL – Standalone	FY2023	FY2024
Operating income	40.9	44.4
PAT	3.1	6.9
OPBDIT/OI	15.6%	10.6%
PAT/OI	7.6%	15.6%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.6	0.7
Interest coverage (times)	8.4	11.5

Source: Company, ICRA Research; 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	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	Dec 31, 2024	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	2.25	[ICRA]BBB-(Stable)	-	-	-	-	-	-
Cash Credit	Long Term	1.00	[ICRA]BBB-(Stable)	27-Sep-23	[ICRA]BBB-(Stable)	27-Jun-22	[ICRA]BBB-(Stable)	-	-
Bank Guarantee	Long Term/ Short Term	26.75	[ICRA]BBB-(Stable)/ [ICRA]A3	27-Sep-23	[ICRA]BBB-(Stable)/ [ICRA]A3	27-Jun-22	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-
Unallocated Limit	Long Term	6.00	[ICRA]BBB-(Stable)	27-Sep-23	[ICRA]BBB-(Stable)	27-Jun-22	[ICRA]BBB-(Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Term Loan	Simple
Long term – Fund Based (Cash Credit)	Simple
Long Term/ Short Term – Non-Fund Based (Bank Guarantee)	Very simple
Long term – Unallocated limit	Not applicable

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
NA	Term Loan	15-Feb-24	NA	30-Apr-25	2.25	[ICRA]BBB- (Stable)
NA	Cash Credit	NA	NA	NA	1.00	[ICRA]BBB- (Stable)
NA	Bank Guarantee	NA	NA	NA	26.75	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Unallocated Limit	NA	NA	NA	6.00	[ICRA]BBB- (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not applicable

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