

IDL Explosives Limited

Instrument	Amount	Rating Action
Fund Based Limits	Rs. 15.00 crore	[ICRA]BBB(SO) reaffirmed; outlook revised to Positive from Stable
Non-Fund Based Limits	Rs. 99.00 crore (enhanced from Rs. 74.00 crore)	[ICRA]A3+(SO) reaffirmed
Fund Based & Non-Fund Based Limits	Rs. 30.00 crore	[ICRA]BBB(SO) / [ICRA]A3+(SO) reaffirmed; outlook revised to Positive from Stable
Proposed Limits	Rs. 8.00 crore (reduced from Rs. 13.00 crore)	[ICRA]BB+ (stable) / [ICRA]A4+ upgraded

ICRA has reaffirmed the long-term rating of [ICRA]BBB(SO) (pronounced ICRA triple B structured obligation) and the short-term rating of [ICRA]A3+(SO) (pronounced ICRA A three plus structured obligation) to the fund based limits and non-fund based limits of IDL Explosives Limited (IDL) aggregating to Rs. 144.00 crore¹ (enhanced from Rs. 119.00 crore)^{*}. The outlook on the long-term rating has been revised from Stable to Positive. These SO (structured obligation) rated facilities are credit enhanced by unconditional and irrevocable corporate guarantees issued by GOCL Corporation Limited (GOCL).

ICRA has also upgraded the standalone long-term rating from [ICRA]BB (pronounced ICRA double B) to [ICRA]BB+ (pronounced ICRA double B plus) and the short-term rating from [ICRA]A4 (pronounced ICRA A four) to [ICRA]A4+ (pronounced ICRA A four plus) assigned to the unallocated limits of IDL aggregating to Rs. 8.00 crore (reduced from Rs. 13.00 crore). The long-term rating has a Stable outlook.

The [ICRA]BBB(SO) (positive) / [ICRA]A3+(SO) ratings take into account the unconditional and irrevocable corporate guarantee issued by GOCL ([ICRA]BBB (positive) / [ICRA]A3+) for the bank facilities of IDL. The ratings address the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement and assume that the guarantee will be duly invoked, as per the terms of the underlying sanction letter and guarantee agreements, in case there is a default in payment by the borrower. The revision in the rating outlook to 'Positive' takes into account the revision in the outlook for the long-term rating assigned to GOCL from Stable to Positive.

The upgrade of the standalone ratings takes into account the healthy scale up of operations of IDL resulting in improvement in cash accruals. The receipt of sizeable fresh orders received by IDL in the current fiscal from Coal India Ltd (CIL) provides revenue visibility for the near term. The ratings also take into account the company's strong parentage being a strategic part of the Hinduja group, and the company's long experience and well established track record in the bulk explosives business.

The standalone ratings however remain constrained by the slowdown in the mining industry in recent years which has led to modest plant capacity utilisation levels for the company, high dependence on CIL which contributes to more than a quarter of the company's sales, and exposure to fluctuations in forex rates given the large incidence of imports. The ratings are further constrained by the high competitive pressures in the explosives business that has led to modest margins. The company's capital structure is stretched, though more than 50% of the debt has been provided by GOCL through preference shares and inter-corporate deposits.

¹ 100 lakh = 1 crore = 10 million

^{*} For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



About IDL Explosives Limited

IDL Explosives Limited (IDL) was incorporated in September 2010 to take over the demerged Explosives Undertaking (comprising mainly the bulk explosives business) of GOCL Corporation Ltd (GOCL) pursuant to a Scheme of Arrangement, effective October 1, 2010. IDL is a part of the global Hinduja Group and is currently a 100% subsidiary of GOCL.

For FY2015, IDL reported Profit after Tax (PAT) of Rs. 7.22 crore on an operating income of Rs. 301.90 crore. For 3m-FY2016, IDL has reported PAT of Rs. 2.27 crore on an operating income of Rs. 92.21 crore (provisional).

About GOCL

GOCL, a Hinduja Group company, was formed in January 2002. Post the demerger of its Lubricants business, it has reclassified its business divisions into the following three verticals.

- a) Energetics Division is involved in manufacture along with providing marketing and technical services in industrial explosives, detonators, explosive bonded metal clads and special devices for Defence and Space applications.
- b) Mining & Infrastructure Services Division undertakes mining services in coal, iron ore, limestone and bauxite mines. It has taken up contracts in the infrastructure sector such as underground metro railways, elevated highways, industrial structures / buildings etc.
- c) Realty Division is involved in development of large properties at Bengaluru and Hyderabad into SEZ, industrial parks and commercial conglomerates.

For FY2015, GOCL reported Profit after Tax (PAT) of Rs. 30.68 crore on an operating income of Rs. 109.61 crore. For 6m-FY2016, GOCL has reported PAT of Rs. 11.07 crore on an operating income of Rs. 52.74 crore (provisional).

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