

August 26, 2024

Indian Metals & Ferro Alloys Limited: Update on material event

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating outstanding |
|--|--------------------------------------|-------------------------------------|--------------------|
| Long Term – Fund based - Term loan | 8.43 | 8.43 | [ICRA]AA-(Stable) |
| Short Term - Fund-based limits | 735.00 | 735.00 | [ICRA]A1+ |
| Short Term - Non-fund based facilities | 200.00 | 200.00 | [ICRA]A1+ |
| Short Term - Non-fund based facilities** | (735.00) | (735.00) | [ICRA]A1+ |
| Long Term - Untied limits | 15.07 | 15.07 | [ICRA]AA-(Stable) |
| Total | 958.50 | 958.50 | |

*Instrument details are provided in Annexure-1; **100% interchangeable with corresponding fund-based limits

Rationale

In a recent ruling, the Hon'ble Supreme Court of India upheld the state governments' power to tax mineral rights and mineral-bearing lands under Entries 49 and 50 of List II in the Constitution's Seventh Schedule. On August 14, 2024, the Supreme Court ruled that states have the discretion to decide on the retrospective application of the tax. However, any tax demand will not impact transactions conducted before April 1, 2005. In case of retrospective tax demand, payments will be spread over 12 years, starting from April 1, 2026. Additionally, interest and penalties on demands for the period before July 25, 2024, will be waived for all assesses. The states are yet to come out with their decision on imposition of such retrospective tax.

ICRA will assess the impact of the Supreme Court ruling on Indian Metals & Ferro Alloys Limited given that it is involved in mining operations and take appropriate action when further clarity emerges from the states with respect to taxation of mineral rights following the Supreme court ruling.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click Here](#)

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | As on March 31, 2023, IMFA had three subsidiaries, a) Utkal Coal Ltd., b) IMFA Alloys Finlease Ltd., and c) Indmet Mining Pte Ltd. The operations of these subsidiaries are not meaningful compared to IMFA's current scale. Moreover, there is no external debt in IMFA's subsidiaries. Therefore, for arriving at the ratings, ICRA has considered the standalone financials of IMFA. |

About the company

Indian Metals & Ferro Alloys Limited (IMFA), promoted by Late Dr. Bansidhar Panda, was incorporated in November 1961. The company primarily produces ferro alloys, including charge chrome (high carbon ferro chrome), and has an installed furnace capacity of 190 MVA (2,84,000 metric tonnes per annum (MTPA)) in its two plant sites at Therubali and Choudwar, in Odisha.

The company's operations are supported by a 200-MW captive thermal power plant at Choudwar, captive chromite mines and a 4.5-MW solar power plant.

Key financial indicators (Audited)

| IMFA (Standalone) | Standalone | | |
|--|------------|--------|--------|
| | FY2021 | FY2022 | FY2023 |
| Operating income (Rs. crore) | 1844.2 | 2603.0 | 2676.4 |
| PAT (Rs. crore) | 166.8 | 507.9 | 225.7 |
| OPBDIT/OI (%) | 18.3% | 30.9% | 19.0% |
| PAT/OI (%) | 9.0% | 19.5% | 8.4% |
| Total outside liabilities/Tangible net worth (times) | 1.1 | 0.6 | 0.4 |
| Total Debt/OPBDIT (times) | 2.0 | 0.6 | 0.6 |
| Net Debt/OPBDIT (times) | 1.6 | 0.4 | 0.1 |
| Interest coverage (times) | 5.9 | 13.1 | 7.5 |

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) | Date & Rating in FY2024 | Date & Rating in FY2024 | | Date & Rating in FY2023 | | Date & Rating in FY2022 | |
| | | | Aug 26, 2024 | Aug 28, 2023 | | Mar 15, 2023 | | Mar 4, 2022 | |
| | | | Aug 26, 2024 | Aug 28, 2023 | Mar 15, 2023 | Mar 4, 2022 | Sep 27, 2021 | | |
| 1 | Term loan | Long-term | 8.43 | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]A+(Positive) |
| 2 | Fund-based limits | Short-term | 735.00 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 3 | Non-fund based facilities | Short-term | 200.00 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 4 | Non-fund based facilities ** | Short-term | (735.00) | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 5 | Untied limits | Long-term | 15.07 | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | [ICRA]AA-(Stable) | - |

**100% interchangeable with corresponding fund-based limits

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|-----------------------------|----------------------|
| Term loan | Simple |
| Fund-based limits | Simple |
| Non-fund based facilities | Very simple |
| Non-fund based facilities** | Very simple |
| Untied limits | NA |

**100% interchangeable with corresponding fund-based limits

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-1: Instrument details

| ISIN No. | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. Crore) | Current Rating and Outlook |
|----------|-----------------------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA | Term loan | FY21 | NA | FY25 | 8.43 | [ICRA]AA-(Stable) |
| NA | Fund-based limits | NA | NA | NA | 735.00 | [ICRA]A1+ |
| NA | Non-fund based facilities | NA | NA | NA | 200.00 | [ICRA]A1+ |
| NA | Non-fund based facilities** | NA | NA | NA | (735.00) | [ICRA]A1+ |
| NA | Untied limits | NA | NA | NA | 15.07 | [ICRA]AA-(Stable) |

Source: Company; **100% interchangeable with corresponding fund-based limits

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

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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