International Conveyors Limited

September 25, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	34.10	CARE BBB; Stable	Reaffirmed
Long-term/Short-term bank facilities	32.00	CARE BBB; Stable/CARE A3+	Reaffirmed
Short-term bank facilities	8.91	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of International Conveyors Limited (ICL) takes into account the improvement in operating profitability due to the reduction in raw material prices and part reduction in the exposure to the group companies. However, despite reduction, the exposure to the group companies continue to remain significant, at about 42% of the net worth, as on March 31, 2023. The significant reduction in group exposure remains a key monitorable.

The ratings further continue to draw comfort from the long experience of the promoters in the industry, the operation in a niche segment with few competitors, the reputed clientele portfolio albeit customer concentration risk, and the comfortable capital structure.

The ratings, however, continue to be constrained by the moderate scale of operations, the risk arising out of the volatility in raw material prices with the fixed-price nature of contracts, customer concentration risk, the exposure to foreign currency fluctuations, and the working capital-intensive nature of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations (turnover >₹250 crore) while maintaining operating margins on a sustained basis.
- Significant improvement in the order book position on a sustained basis.

Negative factors

- Any decline in the scale of operations (turnover <₹175 crore) and the operating margins dipping below 8% on a sustained basis.
- Any further increase in the exposure to group entities from the current level.
- Any major debt-funded capex plan, which will deteriorate the gearing above 0.50x.

Analytical approach: Standalone

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Stable

The 'Stable' outlook on the long-term rating reflects CARE Ratings Limited's (CARE Ratings') expectation that ICL will continue to benefit from its association with its reputed clientele, which will help it to sustain its total operating income (TOI), margins, and financial risk profile going ahead.

Detailed description of the key rating drivers

Key strengths

Experienced promoter

ICL, incorporated in 1973, was promoted by Rajendra Kumar Dabriwala of Kolkata. Dabriwala, aged 79 years, is a second-generation entrepreneur, who started his career from his family-managed coal mining business. However, with the nationalisation of coal mines in India in the early 70s and the rising demand for polyvinyl chloride (PVC) conveyor belts in the mining industry, Dabriwala ventured into the manufacturing of PVC conveyor belts.

Operating in a niche segment with few competitors in the domestic segment

The company is engaged in a niche segment, i.e., the manufacturing and marketing of solid woven PVC conveyor belts, mainly used in underground mines (coal, potash). ICL is one of the major producers of PVC conveyor belts in the domestic market. The growth in demand is linked to the growth of underground mining operations.

Reputed client portfolio albeit customer concentration risk

ICL's PVC conveyor belts are mainly used in underground mining for the transportation of minerals. In the domestic market, Coal India Limited is the major client of the company. As the domestic mining industry is mainly on an open-cast route, a large part of the sales is to international markets (such as the US, Canada, etc). As a result, exports accounted for about 81% of the total sales of conveyor belts in FY23 (as against 82% in FY22). The outstanding order book has been largely stable at around ₹24.16 crore as on May 31, 2023, which is to be executed by July 31, 2023. Around 69% revenue is derived from a single export customer.

Stable financial performance in FY23

The TOI of the company remained stable at ₹216.35 crore in FY23 as against ₹208.42 crore in FY22 on account of the steady execution of orders in hand. The TOI stood at ₹41.90 crore in Q1FY24. The PBILDT margin has improved from 11.05% in FY22 to 17.75% in FY23 on account of the lower cost of raw materials consumed. Furthermore, the same has continued to remain comfortable at 15.56% in Q1FY24. The profit-after-tax (PAT) margin also improved from 7.49% in FY22 to 13.57% FY23, owing to the relatively lower interest and finance cost. Going forward, the margins are expected to sustain owing to the sustained demand in the user industry, repeat orders from existing clients, and moderation in raw material prices, which is expected to sustain in the short to medium term.

Comfortable capital structure

The capital structure of the company remained comfortable, although slightly moderated in FY23, mainly due to the availment of loan-against-securities (LAS) against the listed securities and the higher utilisation of fund-based working capital limits. The overall gearing is comfortable at 0.35x as on March 31, 2023, vis-à-vis 0.17x as on March 31, 2022. The total debt (TD)/gross cash accruals (GCA) has moderated to 2.78x as on March 31, 2023, as against 1.80x as on March 31, 2022, mainly due to the higher debt level. However, the interest coverage has improved from 5.01x in FY22 to 8.85x in FY23 on account of an improvement in the GCA level.

Key weaknesses

High exposure to group and associate companies albeit reduced in FY23

Although the company's exposure to its group entities has reduced to ₹93.91 crore as on March 31, 2023 (constituting 42% of the net worth), from ₹151.15 crore as on March 31, 2022 (constituting 63% of net worth); however, the same continues to remain significant. Majority of the exposure is in IGE (India) Private Limited in the form of unsecured loans of ₹67.87 crore as on March 31, 2023.

Moderate scale of operations

ICL is a relatively smaller player in the solid woven PVC conveyor belt market in the global context and faces stiff competition from well-established players both, in the domestic market as well as the international market.

Risk arising out of volatility in raw material prices

The major raw materials used in the process of manufacturing conveyor belts are yarn (polyester, cotton and spun) and chemicals (PVC resin, phosphate plasticiser, and others). The major raw materials are derivatives of crude oil and the prices are volatile in nature. The profitability of the company remains exposed to the volatility in raw material prices. However, the company mainly bids for short-term fixed-price orders based on inventory in hand, thereby mitigating this risk to a large extent. Moreover, in case of long-term orders, the company enjoys an escalation clause to a certain extent, which mitigates the risk partially.

Exposure to foreign exchange fluctuations

ICL has exposure in foreign currency in the form of raw material imports like PVC resin and exports of the conveyor belts to the US, Canada, etc. This foreign currency risk is covered by using foreign exchange forward contracts. Moreover, the company has started executing export orders on a 'free on board' (FOB) basis, wherein, shipping and freight costs are borne by the customers. The company reported a foreign exchange gain of ₹1.00 crore in FY23 as against ₹3.11 crore in FY22.

Working capital-intensive nature of operations

The company's operations are working capital-intensive in nature due to the requirement of holding inventories for the lead time involved in the import of raw materials and the time involved in inspection of product quality by the customer and the high credit period offered to its customers due to the general practice in the industry. Furthermore, the increase of the debtors' level is also related to the long-term project contracts, wherein, the payment is received in 30-90 days after the execution of an order (two months for production and two months for delivery). Therefore, it results in a longer operating cycle. However, the operating cycle has substantially improved to 34 days in FY22 as against 72 days in FY21, which has further improved to 30 days in FY23. The continuous improvement in cycle has been mainly due to better inventory and collection management.

Liquidity: Adequate

The company has an adequate liquidity position. ICL generated GCA of ₹28.98 crore vis-à-vis negligible debt repayment obligations in FY23. The cash accruals are likely to remain sufficient to meet the low-term debt repayment obligations in FY24. Furthermore, the company has no major capex plans in the medium term. The company has investments in listed equity shares amounting to ₹156.62 crore and a cash and bank balance of around ₹8.94 crore as on March 31, 2023. The average working capital utilisation remained moderate at around 65% for the 12 months ending March 31, 2023.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Policy on default recognition
Policy on Withdrawal of Ratings
Rating Outlook and Credit Watch
Manufacturing Companies
Short Term Instruments

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

ICL, promoted in 1973 by Rajendra Kumar Dabriwala of Kolkata, is engaged in the manufacturing of PVC covered fire retardants and antistatic conveyor belts, which are mainly used in underground mining. ICL has two manufacturing facilities of conveyor belts – located in Aurangabad, Maharashtra (with a capacity of 700,800 Meters Per Annum [MPA]) and Falta, West Bengal (with a capacity of 425,000 MPA). The company is also engaged in wind power generation with five wind turbine generators (having a capacity of 4.65 MW) and the trading of steel cord conveyor belts and fasteners.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	208.42	216.35	41.90
PBILDT	23.04	38.41	6.52
PAT	15.60	29.35	18.20
Overall gearing (times)	0.17	0.35	NA
Interest coverage (times)	5.01	8.85	NA

A: Audited; UA: Unaudited. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	29.00	CARE BBB; Stable
Fund-based - LT-Stand by Limits		-	-	-	2.00	CARE BBB; Stable
Fund-based - LT-Working capital Term Loan		-	-	31-08-2024	3.10	CARE BBB; Stable
Fund-based - ST-EPC/PSC		-	-	-	8.00	CARE A3+
Non-fund-based - LT/ ST-BG/LC		-	-	-	32.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Forward Contract		-	-	-	0.91	CARE A3+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	29.00	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB-; Stable (06-Sep-21)	1)CARE BB+; Positive (08-Jan-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	32.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (07-Jul-23)	1)CARE BBB; Stable / CARE A3+ (05-Jul-22)	1)CARE BBB-; Stable / CARE A3 (06-Sep-21)	1)CARE BB+; Positive / CARE A4+ (08-Jan-21)
3	Non-fund-based - ST-Forward Contract	ST	0.91	CARE A3+	1)CARE A3+ (07-Jul-23)	1)CARE A3+ (05-Jul-22)	1)CARE A3 (06-Sep-21)	1)CARE A4+ (08-Jan-21)
4	Fund-based - LT-Stand by Limits	LT	2.00	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB-; Stable (06-Sep-21)	-
5	Fund-based - LT-Working capital Term Loan	LT	3.10	CARE BBB; Stable	1)CARE BBB; Stable (07-Jul-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB-; Stable (06-Sep-21)	-
6	Fund-based - ST-EPC/PSC	ST	8.00	CARE A3+	1)CARE A3+ (07-Jul-23)	1)CARE A3+ (05-Jul-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Stand by Limits	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Fund-based - ST-EPC/PSC	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple
6	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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