

Vimla Fuels and Metals Limited

February 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ and Withdrawn

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/ CARE A4+' [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of Vimla Fuels and Metals Limited with immediate effect. The above action has been taken at the request of Vimla Fuels and Metals Limited and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Limited.

The reaffirmation in the ratings takes into account the extensive experience of promoters in coal & coke business, location advantage as the operations is in proximity to the ports facilitating exports and imports and having long standing relationship with clients and suppliers.

The ratings are however tempered on account of limited track record of sizeable operations in terms of scale and profitability, inherently low and fluctuating profit margins over the past few years and being susceptible to movement in coal prices and foreign exchange rate, susceptibility to performance of the end-user industry and cyclical demand in the coke industry. The rating is also constrained by leveraged capital structure and working capital intensive nature of business coupled with sizable advances and investments in group entities.

Analytical approach: Standalone

Detailed description of the key rating drivers

Key weaknesses

Limited track record of sizeable operations with moderate order book position

The scale of operations of the company was in the range of Rs. 138 to Rs. 183 crore over the period FY19-FY21. The scale has improved significantly in FY22 and FY23 backed by improvement in demand following the pandemic. The sales grew by 5.72% with the total operating income stood at Rs. 712.75 crore in FY23 vis-à-vis Rs. 674.16 crore in FY22. The growth in scale of operation can be attributed to increase in sales volume and significant increase in sales realization. During 8MFY24, the company reported revenue of Rs. 378.65 crore due to further increase in sales realization. The company has orders in hand of Rs. 696.85 crore as on Jan 16, 2024. Sustainability of revenues and profitability is critical from credit perspective.

Client and supplier concentration risks

During FY23, the company's top ten clients have contributed to around 45.66% of total sales vis-à-vis 42.90% in FY22 and 45.18% in FY21 indicating client concentration risks. On the purchase side, the company's top ten suppliers have contributed to around 84% in FY23, indicating prevailing supplier concentration risks too.

Low and volatile profitability margins with exposure to volatile coal prices and forex rate

The company is involved in manufacturing of LAM Coke and trading of coal wherein trading is a low margin business. The company is exposed to volatility in coal prices and foreign exchange rate. The profitability margins of the company remained low during the period FY18 to FY21. However, the same has improved in FY22 and FY23 wherein the PBILDT margin stood at 8.28% in FY23 and 8.86% due to significant improvement in sales volume and realization backed by favourable industry scenario.

The company tries to partly mitigate the risk by entering into back-to-back arrangements with the customers. The forex risk is hedged to an extent by way of natural hedging as the company is an exporter as well as an importer. However, in absence of any firm hedging policy the company remains exposed to forex exchange fluctuation risk.

Leveraged capital structure

The capital structure of the company remained leveraged marked by TOL/TNW (Total Outside Liabilities / Tangible Net Worth) of 2.30x as on Mar 31, 2023 which has deteriorated from 1.64x as on Mar 31, 2022 owing to large size of creditors as on balance sheet date.

Large working capital requirement

The operations of the company are working capital intensive in nature. The company has to maintain inventory of around one months on an average since it is partly imported. The company sells the products to customers against 25% advance and 75% against documents. The average collection period has deteriorated from 23 days in FY22 to 51 days in FY23. The Gross Current Asset days has deteriorated from 83 days in FY22 to 159 days in FY23. The Gross Current Asset days have remained high in the

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

range of 197 to 83 days over the period FY19-FY23. The average utilization of fund based, and non-fund-based limits remained at around 90% during past twelve months ending November 2023 and provides limited backup.

High dependence on imported raw material; any significant disruption may impact operations

The company's manufacturing operations are largely dependent on the significant quantity of raw materials mined from Australia, Indonesia & Singapore and any significant disruption or adverse government policies in those countries or any changes or duties imposed by Government of India (GOI) with regard to import of such items can impact the company's operations. Key risk is the low entry barriers to this business due to which there are large number of coal importers in the country, and hence low margins.

Susceptibility to performance of the end-user industry and cyclical demand in the coke industry

Coke is used as fuel in the iron and steel industry. Hence, prospects for the LAM coke industry are linked to the overall fortune of this end-user segment, which is inherently cyclical, resulting in sharp fall in demand and prices of LAM coke. Also, realisation for LAM coke is exposed to heavy dumping of cheap LAM coke by China and Australia.

Key strengths

Experience of promoters in coal & coke industry

The promoter Mr. Sanjay Kumar Agrawal is an experienced promoter with over three and half decades of experience in coal trading and has entered the business of coke manufacturing in 2017. He also gets supports from other directors Mr. Sachin Kumar Agrawal and Mr. Sandeep Kumar Agrawal, having more than three decades of experience in the business who look after various aspects of the company.

Location advantage as having pan India reach allowing proximity to well-established as well as ports reducing logistics cost

Vimla Fuels is one of the few companies which exports metallurgical coke and have developed the infrastructure and have gained the expertise for exporting LAM coke over the past few years. Their close proximity (40 kms away) to ports like Kandla and Mundra port gives them the added advantage in terms of reduced logistics cost. They supply their products to customers in various countries across Indian subcontinent and Middle East with exports being made to Asian and middle east countries.

Liquidity: Stretched

The liquidity position remained stretched. The company has given loans and advances of Rs. 35.53 crore to its group entities along with investments done in equity shares of group entities to the tune of Rs. 13.92 crore as on Mar 31, 2023 and recovery of the same remains key monitorable. Also, the funding of the business is largely done through creditors as reflected from sharp increase in creditors from Rs. 50.37 crore as on Mar 31, 2022 to Rs. 194.71 crore as on Mar 31, 2023 leading to stretch in creditors period from 24 days in FY22 to 67 days in FY23. VMFL has free cash in hand of Rs. 1.04 crore and free bank deposits of Rs. 9.26 crore as on Mar 31, 2023 and Rs. 13.22 crore as on Nov 30, 2023.

The average utilization of fund based, and non-fund-based limits remained at around 90% during past twelve months ending November 2023 and provides limited backup. The gross current assets days remained considerably high at 159 days in FY23 vis-à-vis 83 days in FY22.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

Vimla Fuels and Metals Private Limited (VFMPL) was incorporated as a private limited company on February 12, 2016. The company is promoted by Mr. Sachin Kumar Agrawal, Mr. Sandeep Kumar Agrawal and Mr. Sanjay Kumar Agrawal having experience of over three decades in the coal industry.

The company is engaged in manufacturing and trading of Low Ash Metallurgical Coke and trading of coal (with revenue from manufacturing constituting the major contribution to total revenue while rest constituted trading of coal). The company does export as well as domestic sales.

It is located in Kandla, Bhilai & Durgapur with its two coke oven plants (manufacturing plant) located in Kutch District in Gujarat (one plant self-owned by VFMP and the other run by VFMP on rental basis) having installed capacity of 1,80,000 metric tonnes p.a. of coke with capacity utilization of 93.05%. Manufacturing activity takes place only at Gujarat while Bhilai and Durgapur are trading depots.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	8MFY24 (Prov.)
Total operating income	674.16	712.75	378.65
PBILDT	59.71	59.01	32.98
PAT	42.31	40.63	21.32
Overall gearing (times)	0.37	0.55	NA
Interest coverage (times)	20.69	10.14	8.04

A: Audited; Prov.: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not applicable

Disclosure of Interest of Managing Director & CEO: Not applicable

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

Covenants of the rated instruments/facilities: Not Applicable

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	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Proposed fund based limits	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	December 2027	0.00	Withdrawn
Non-fund-based - ST-Letter of credit	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Proposed non fund based limits	-	-	-	-	0.00	Withdrawn

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-Term Loan	LT	-	-	1)CARE BB+; Stable (25-Jan-24)	1)CARE BB+; Stable (18-Jan-23)	-	-
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB+; Stable (25-Jan-24)	1)CARE BB+; Stable (18-Jan-23)	-	-
3	Non-fund-based - ST-Letter of credit	ST	-	-	1)CARE A4+ (25-Jan-24)	1)CARE A4+ (18-Jan-23)	-	-
4	Fund-based - LT-Proposed fund based limits	LT	-	-	1)CARE BB+; Stable (25-Jan-24)	1)CARE BB+; Stable (18-Jan-23)	-	-
5	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	1)CARE A4+ (25-Jan-24)	1)CARE A4+ (18-Jan-23)	-	-

Annexure-3: Detailed explanation of the 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-Proposed fund based limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Non-fund-based - ST-Proposed non fund based limits	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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