International Conveyors Limited

August 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	31.01 (Reduced from 34.10)	CARE BBB-; Stable	Revised from CARE BBB; Stable
Long Term / Short Term Bank Facilities	32.00	CARE BBB-; Stable / CARE A3	Revised from CARE BBB; Stable / CARE A3+
Short Term Bank Facilities	8.91	CARE A3	Revised from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to the bank facilities of International Conveyors Limited (ICL) is on account of significant deterioration in scale of operations in FY24 albeit improvement in profitability margins. The dip in sales is due to moderation in demand of conveyor belts from the overseas market (mainly Canada) arising out of fall in price of coal and potash.

The revision also factors in significant increase in exposure to group companies largely in the form of unsecured loans in FY24 as well as moderation in debt coverage indicators due to increase in debt levels primarily loan against securities (LAS).

The ratings continues to derive comfort from the long experience of the promoters in the industry, operation in a niche segment with few competitors in the domestic market, reputed clientele and comfortable capital structure. The ratings, however, is constrained by modest scale of operations, risk arising out of the volatility in raw material prices, exposure to foreign currency fluctuations and working capital-intensive nature of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in order book position on a sustained basis
- Significant increase in the scale of operation while maintaining existing PBILDT margins on a sustained basis.
- Improvement in total debt/PBILDT below 5x on a sustained basis.

Negative factors

- Any significant increase in exposure to group entities.
- Any major debt-funded capex plan, which will deteriorate the gearing above 0.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The company is expected to sustain its operational performance in view of long experience of the promoters in the conveyor belt industry and established relationships with its customers.

Detailed description of the key rating drivers:

Key strengths

Experienced promoter

ICL, incorporated in 1973, was promoted by Rajendra Kumar Dabriwala of Kolkata. Dabriwala 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.

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

Reputed clientele
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 63% of the total sales of conveyor belts in FY24 as against 84% in FY23. The outstanding order book stood at Rs 15.13 crore as on June 30, 2024.

Comfortable capital structure albeit moderation in debt coverage indicators
Capital structure of the company remained comfortable although slightly moderated in FY24 mainly due to further availment of LAS (Loan Against Securities) which was utilised to invest in listed securities. Overall gearing at 0.48x as on March 31, 2024, vis-à-vis 0.35x as on March 31, 2023. TD/GCA has moderated to 5.69x in FY24 as against 2.81x in FY22, mainly due to increase in debt level. Similarly, PBILDT interest coverage ration has moderated from 7.22x in FY23 to 2.44x in FY24 on account of increase in finance cost and decline in absolute operating profitability.

Key weaknesses

Decline in scale of operations in FY24 albeit improvement in profitability margins.
Total operating income (TOI) of the company has moderated from Rs 209.28 crore in FY23 to Rs 139.03 crore in FY24. The moderation in TOI is attributable to decline in the prices of coal and potash in FY24 which prompted several mining companies to curtail their production Consequently, this led to a reduced demand of conveyor belts, adversely affecting ICL's sales, especially in the latter half of FY24. Despite decline in scale of operations, the PBILDT margin has improved from 14.98% in FY23 to 16.07% in FY24 on account of dip in prices of raw material consumed during FY24. Moreover, the company reported profit after tax (PAT) of Rs 62.11 crore in FY24 as against Rs 29.35 crore in FY23. The improvement in PAT is attributable to booking of non-operating income of around Rs 65 crore which majorly pertains to profit arising from fair valuation of o/s equity investments of Rs 48.09 crore, profit on sale of investments of Rs 5.37 crore and interest income of Rs 9.92 crore on unsecured loans extended to group companies.
The management has articulated that to revive sales from international markets it has taken measures to diversify geographically by exploring demand in other markets (like Australia and Europe) and by widening its product profile with addition of new products having superior characteristics as against PVC conveyor belts. The measures undertaken are expected to benefit the company from H2FY25 onwards. However, the impact of these measures on sales and profitability remains to be seen.

Increase in exposure in group companies.
ICL's exposure (in the form of investments and advances) to its subsidiaries and affiliates has increased from Rs 93.81 crore (accounting for 41% of tangible net worth as on March 31, 2023) to Rs 134.18 crore (accounting for 47% of tangible net worth as on March 31, 2024). The increase in exposure is in the form of increase in unsecured loans to IGE India Pvt Ltd (IGE) by around Rs 24 crore and fresh unsecured loans of Rs 13 crore and Rs 4 crore to RCA Limited and Dabri Properties & Trading Co Ltd (DPTCL) respectively. As articulated by the management, the loans are interest bearing and carry interest rate of 10%. Further, these loans are mostly invested in liquid securities by group companies and hence can be called upon by ICL whenever required.

Modest 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 this risk is largely mitigated.

Exposure to foreign exchange fluctuations
ICL has exposure in foreign currency in the form of raw materials import like PVC Resin and export of the conveyor belts to US, Canada, etc. The company is a net exporter and the management as a policy does not hedge its forex exposure owing to lower risk in dollar receivables. The company reported foreign exchange gain of Rs. 1.09 crore in FY23 and Rs. 0.86 crore in FY24.

Working capital-intensive nature of operations
The company's operation is working capital intensive in nature due to requirement of holding inventories for lead time involved in import of raw material and the time involved in inspection of product quality by the customer and high credit period offered to its customers due to general practice in the industry. Therefore, it results in long operating cycle. The operating cycle has elongated to 59 days in FY24 as against 31 days in FY23 primarily on account of increase in average collection days from 38 days in FY23 to 60 days in FY24 due to moderation in total operating income.

Liquidity: Adequate
The company has an adequate liquidity position marked by gross cash accruals of Rs. 23.99 crore vis-à-vis negligible debt repayment obligation. The company has unencumbered investments in listed equity shares amounting to Rs. 15.70 crore and cash and bank balance of around Rs. 2.33 crore as on March 31, 2024. The average utilisation of fund based working capital limits stood at 64% for 12 months ending April 2024. The average utilisation of non-fund based working capital limits stood at 46% for 12 months ending April 2024.

Environment, social, and governance (ESG) risks- NA

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
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, 2023 (A)	March 31, 2024 (Abridged)
Total operating income	209.28	139.03
PBILDT	31.34	22.35
PAT	29.35	62.11
Overall gearing (times)	0.35	0.48
Interest coverage (times)	7.22	2.40

A: Audited, Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of 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	0.01	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	29.00	CARE BBB-; Stable	-	1)CARE BBB; Stable (25-Sep-23) 2)CARE BBB; Stable (07-Jul-23)	1)CARE BBB; Stable (05-Jul-22)	1)CARE BBB-; Stable (06-Sep-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	32.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+	1)CARE BBB-; Stable / CARE A3

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
						(25-Sep-23) 2)CARE BBB; Stable / CARE A3+ (07-Jul-23)	(05-Jul-22)	(06-Sep-21)
3	Non-fund-based - ST-Forward Contract	ST	0.91	CARE A3	-	1)CARE A3+ (25-Sep-23) 2)CARE A3+ (07-Jul-23)	1)CARE A3+ (05-Jul-22)	1)CARE A3 (06-Sep-21)
4	Fund-based - LT-Stand by Limits	LT	2.00	CARE BBB-; Stable	-	1)CARE BBB; Stable (25-Sep-23) 2)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	0.01	CARE BBB-; Stable	-	1)CARE BBB; Stable (25-Sep-23) 2)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+ (25-Sep-23) 2)CARE A3+	1)CARE A3+ (05-Jul-22)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
						(07-Jul-23)		

LT: Long term; ST: Short term; LT/ST: 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:

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