

Geomin Industries Private Limited

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	30.00 (Enhanced from 11.00)	CARE BBB+; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at ratings of Geomin Industries Private Limited (GIPL), CARE Ratings Limited (CARE Ratings) has considered combined business and financial profiles of GIPL and Geomin Iron Manufacturing Private Limited (GIMPL), collectively known as the Geomin Group due to their presence in the same line of business, iron ore beneficiation, common promoter group and cashflow fungibility between both entities.

Ratings assigned to bank facilities of GIPL derive strength from its experienced promoters with established operational track record, location advantage with proximity to mines and reputed despite concentrated customer base. Ratings also positively factor in the group's growing scale of operations, healthy profitability, strong capital structure and debt coverage indicators and adequate liquidity.

However, ratings are constrained considering regulatory risk associated with mining operations from which it derives its key raw material, profitability susceptible to finished goods price volatility and its linkage to the cyclical steel industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume backed growth in the scale of operations with total operating income (TOI) of over ₹700 crore while maintaining healthy profitability.
- Diversification in customer base on the back of addition of reputed steel manufacturers

Negative factors

- Decline in scale of operations to below ₹450 crore and total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) above 1.20x
- Any regulatory hurdle affecting mining operations impacting operations of GIPL and GIMPL.
- Any major debt funded capex or increase in working capital requirement or investment/extension of loans and advances to group companies resulting in deterioration in adjusted overall gearing above 0.75x

Analytical approach: Combined

For analysis purpose, CARE Ratings has considered the combined business and financial profiles of GIPL and GIMPL, collectively known as the Geomin Group. Both entities operate in the same line of business, , iron ore beneficiation, are managed by a common promoter group, and have cash flow fungibility.

Outlook: Stable

The outlook on the long-term rating of GIPL is "Stable", as CARE Ratings expects that the entity would continue to benefit from the extensive experience of its promoters in the industry and location advantage available with proximity to mines.

Detailed description of key rating drivers:

Key Strengths

Experienced promoters with established track record of operations

Geomin group is promoted by Yash Pathak along with other family members. He is the managing director of the group and looks after the company's overall management. Apart from these two entities, the promoter group also has presence across industries, such as mining and real estate. Furthermore, Board of directors include Harsh Kapoor (executive director - GIPL) and Varun Gautam (executive director - GIMPL), both of whom have over two decades of experience in the mining and iron & steel industry. They look after plant operations and marketing function, respectively.

Easy availability of raw material with presence of the group in mining business and proximity to mines

The promoter group has presence in low-grade iron ore mining, which is the key raw material for GIPL and GIMPL. These mines are near Jabalpur, Madhya Pradesh, and plants of both entities of Geomin group are in close proximity to these mines. This results in benefits derived from easy raw material availability and lower logistics cost.

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

Customer concentration risk despite reputed clients

GIPL and GIMPL supply to reputed steel manufactures, such as Evonith Metals Limited (EML, rated 'CARE A; Stable/ CARE A1'), JSW Steel Ltd. (rated 'CARE AA; Stable/ CARE A1+'), Jindal Saw Limited (rated 'CARE AA-; Stable/ CARE A1+'), and Jindal Steel & Power Limited (rated 'CARE AA; Stable/ CARE A1+'). The group has been associated with EML for over a decade. It maintains sufficient inventory to cater to its customers in a timely manner, which gives it an edge against its competitors. While the Geomin group supplies to reputed steel manufactures, customer profile was concentrated with top five customers' contribution to net sales at 82% and 69% for GIPL and GIMPL, respectively, in FY24.

Growing scale of operations with healthy profitability

The Geomin group's scale of operations marked by its TOI, on a combined basis, grew by 11% on y-o-y basis from ₹522.97 crore in FY23 to ₹581.44 crore in FY24. The volume-driven growth was largely achieved due to scaling up of operations of GIMPL with FY24 being its first full year of operations post commencement in November 2022.

Further, the PBILDT margin also improved to 34.15% in FY24 against 27.59% in FY23 due to GIMPL's improved capacity utilisation and lower freight cost incurred in FY24 (freight cost was significantly higher in FY23 due to an export order). PBILDT margin is expected to normalise in the range of 20-25% going forward. In line with operating profitability, PAT margin remained healthy at 23.65% in FY24 compared to 19.09% in FY23 with low reliance on debt resulting in low interest cost.

Furthermore, the group reported TOI of ₹132.76 crore in Q1FY25.

Strong capital structure and debt coverage indicators

The Geomin group's capital structure continued to remain comfortable marked with improvement in overall gearing to 0.12x as on March 31, 2024 compared to 0.23x as on March 31, 2023, with accretion of profits and equity infusion of ₹43.86 crore in FY24 resulting into healthy network base of ₹401.25 crore as on March 31, 2024. Of this net worth, the group has made investments and extended loans and advances to various entities (engaged in iron ore mining, real estate development, and iron ore beneficiation among others) to the tune of ₹89.24 crore as on March 31, 2024. However, the group had fixed deposits and cash & bank balance exceeding total o/s debt resulting in zero net debt position as on March 31, 2024.

Due to healthy profitability and low reliance on debt, Geomin's debt coverage indicators strengthened with PBILDT interest coverage and total debt to gross cash accruals (TD/GCA) of 43.80x (PY: 28.23x) and 0.31x (PY: 0.44x) respectively in FY24. CARE Ratings expects capital structure to remain comfortable going forward.

Key weaknesses

Regulatory risk associated with mining operations from which it derives its key raw material

The Indian mining sector is highly regulated with strong legal and regulatory mechanisms with the government introducing and revamping several acts, policies, rules at central and state levels. Since mining sector is 'highly polluting industry' causing severe environmental and social problems, India has formulated several regulatory and legal mechanisms to promote environmentally sustainable mining, which includes mandatory environmental impact assessment, forest clearance provisions, and coastal zone regulations, among others. Hence, the Geomin group is susceptible to any adverse regulations passed that can impact the mining operations of its key raw material suppliers.

Profitability susceptibility finished goods price volatility and linkages to cyclical steel industry

The company is susceptible to finished goods price volatility, steel, which has exhibited volatile trend in the past. Any sharp movements in steel prices could impact the the company's profitability directly. Furthermore, the steel industry is cyclical with prices driven primarily by existing demand and supply conditions, with strong linkage to the global market. Along with this, it is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes.

Liquidity: Adequate

The Geomin group's liquidity is adequate marked by nil utilisation of its working capital limits, low debt repayments against healthy cash accruals, healthy cash flow from operations of ₹128 crore and availability of free cash and bank balance of ₹45.62 crore as on March 31, 2024.

The fund-based working capital limits remained unutilised for 12 months ended June 2024. The group has low debt repayment obligations in the range of ₹10-15 crore against healthy cash accruals expected of ~₹100-120 crore.

The Geomin group's operating cycle was lean at 17 days in FY24, as it does not extend credit period of more than 15 days except to its long-term customers. Furthermore, the company avails extended credit period since it procures major portion of raw material from its group companies.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & mining	Ferrous metals	Iron & steel

Incorporated in 2010, GIPL is a part of the Geomin group, promoted by Yash Pathak along with his family members. GIPL is engaged in iron ore beneficiation with its plant having total installed capacity of 20 lakh tonnes per annum (MTPA) as on March 31, 2024. It manufactures concentrates, fines and concentrated lump iron ore (CLO), which is sold directly to steel manufacturers. Promoters (Yash Pathak and his family members) along with GIPL incorporated another entity, GIMPL in 2020. GIMPL commenced commercial operations in November 2022 and is also engaged in iron ore beneficiation with its plant having total installed capacity of 10 lakh tonnes per annum (MTPA) as on March 31, 2024. It manufactures iron ore concentrates which is sold directly to steel manufacturers.

Brief Financials (₹ crore) – Combined (Geomin group)	March 31, 2023 (UA)	March 31, 2024 (Prov)
Total operating income	522.64	581.44
PBILDT	144.20	198.56
PAT	99.75	137.50
Overall gearing (times)	0.23	0.12
Interest coverage (times)	28.23	43.80

UA: Unaudited; as financials are combined based on line by line addition and netting off intergroup transactions; Prov: Provisional; Note: 'these are latest available financial results'

Brief Financials (₹ crore) – Standalone (GIPL)	March 31, 2023 (A)	March 31, 2024 (Prov)
Total operating income	296.50	349.01
PBILDT	71.17	96.39
PAT	46.32	64.09
Overall gearing (times)	0.03	0.07
Interest coverage (times)	200.87	69.70

A: Audited; Prov: Provisional; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	30.00	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three year

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/Non-fund-based-LT/ST	LT/ST	30.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (04-Oct-23)	-	-

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No	Name of instrument	Complexity level
1	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

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

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About us:

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