Indica Conveyors Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	0.57	CARE BB-; Stable	Assigned
Long Term Bank Facilities	16.00 (Reduced from 20.00)	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	19.00 (Reduced from 20.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Indica Conveyors Limited (ICL) are constrained on account of small scale of operations with moderate profitability margins and its elongated working capital cycle. Further, the ratings also factor in the volatility in raw material prices, and highly competitive and fragmented nature of industry. However, the ratings draw strengths from moderate capital structure of the company and experienced promoters. Further, the ratings also draws comfort from its reputed customer base which includes Public Sector Undertakings (PSUs) such as Southeastern Coalfields Limited, Western Coalfields Limited, and Eastern Coalfields Limited.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations of the company marked by the total operating income (TOI) above Rs. 75 crores coupled with PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) margin above 10.00% on a sustained basis.
- Improvement in operating cycle of the company below 120 days with the average inventory period below 70 days.

Negative factors

- Decrease in scale of operations of the company marked by the total operating income below Rs. 40 crores coupled with PBILDT margin below 7.00% on a sustained basis.
- Deterioration in capital structure of the company marked by the overall gearing above 1.50x.
- Moderation in operating cycle of the company above 225 days.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook assigned to the bank facilities of ICL considers likely continuation in moderate capital structure coupled with company's long track record of operations showing its capabilities to mitigate inherent risk associated with the business, like high working capital requirement & highly competitive nature of operations.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations: The scale of operations of the company remains small despite long track record of its operations. The TOI moderated from Rs. 48.01 crores in FY23 (refers to April 01 to March 31) to Rs. 43.63 crores in FY24. The decline in scale was primarily owing to some of the government orders were not executed in the previous year. The company has booked revenue of Rs. 56 crores till March 15, 2025. The profitability margins of the company remain moderate as marked by the PBILDT and PAT (Profit After Tax) margin of 9.26% and 0.61%, respectively in FY24 (PY: 8.39% and 1.29% in FY23). The margins of the company remain moderate due to the competition it faces from other established companies.

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

Working capital intensive nature of operations: Working capital intensity is one of the inherent natures of the conveyor belt manufacturing industry. Thus, the operations of the entity are working capital intensive as reflected by Gross Current Asset days and working capital cycle of 257 days (PY: 203 days) and 218 days respectively during FY24 (PY: 204 days). Inventory holding period was high at 153 days in FY24 (PY: 147 days). Receivable period was moderately high at 74 days (PY: 80 days) during FY24 and the credit period availed from suppliers was low at 9 days (PY: 22 days). The company rely on bank borrowings to fund its working capital requirement. The working capital requirement is expected to remain higher in near to medium term.

Susceptible volatility in raw material prices: ICL business risk profile remains exposed to volatility in key raw material prices i.e., rubber, steel, fabric & chemicals which constituted almost 70 per cent of total revenue from operations thereby making profitability sensitive to raw material prices mainly since raw materials are commodity in nature and witness frequent price fluctuations. Although the company has escalation clause in its contracts, still there can be time lag in the increase in raw material prices and passing on to the consumer. Thus, any adverse change in the prices of the raw material will directly affect the profitability margins of the company.

Presence in highly competitive and fragmented nature of industry: Conveyor Belt manufacturing industry in India faces intense competition from both organized and unorganized players in the market. The presence of organized players restricts the pricing policy of company resulting in low profitability of medium sized and unorganized players in the industry. However, long track record of entity proves its ability to sustain in these kinds of highly competitive and fragmented nature of industry.

Key strengths

Moderate capital structure: The capital structure of the company remains moderate as marked by the debt-to-equity and overall gearing ratio of 0.16x and 0.69x, respectively, as on March 31, 2024, as against 0.24x and 0.56x as on March 31, 2023. The debt coverage indicators stood moderate as characterized by the interest coverage ratio of 1.67x and TDGCA (Total Debt/ Gross Cash Accruals) of 10.40x as on March 31, 2024.

Experienced promoters: ICL is promoted by Arvinder Singh who has more than two decades of experience in the development, production, and marketing of conveyor belts for bulk material handling, with a focus on underground mining operations. The Promoter is further supported by well versed management team which looks after the day-to-day operations of company comprising of qualified and experienced individual from the industry.

Established and reputed customer base albeit customer concentration: The client base of the company includes some reputed public sector undertakings such as Southeastern Coalfields Limited, Western Coalfields Limited, and Eastern Coalfields Limited. However, the company faces customer concentration risk as the top five customers of the company books around ~80-90% of the total revenue. If the company loses any customer, the revenue of the company will be severely impacted and thus continued association with its key customers will be a key monitorable.

Liquidity: Stretched

The company has a total debt repayment obligation of Rs. 1.77 crores in FY25 against expected GCA of Rs. 1.82 crore in FY25. Further, working capital utilisation also remains high over the last 12 months period at 80-90%. However, company had free cash and bank balances of Rs. 4.96 crores as on March 31, 2024. The current ratio also stood comfortable at 2.29x as on March 31, 2024.

Assumptions/Covenants: Not Applicable

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

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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Rubber

ICL was incorporated in 1998 by Ranbir Singh and his two sons, Arvinder Singh and Tarunjit Singh. The company manufactures and sells solid woven PVC-coated conveyor belts, which are primarily used in underground mining and are fire-retardant and anti-static. The company has a full in-house manufacturing process which involves yarn preparation, weaving, coating, and impregnation with FRAS compound, as well as the capability to supply rubber covers when needed.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)*
Total operating income	48.01	43.63	56.00
PBILDT	4.03	4.04	NA
PAT	0.62	0.27	NA
Overall gearing (times)	0.56	0.69	NA
Interest coverage (times)	1.50	1.67	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results
*refers to period till March 15, 2025

Status of non-cooperation with previous CRA: Brickwork and CRISIL have continued the ratings assigned to the bank facilities of ICL into 'Issuer not-cooperating' category vide press release dated March 21, 2024, and April 02, 2024, respectively, on account of non-availability of requisite information from the company.

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 - LT-Term Loan	-	-	-	October 2026	0.57	CARE BB-; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	16.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	19.00	CARE A4

Annexure-2: Rating history for 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-Working Capital Limits	LT	16.00	CARE BB-; Stable	-	1)CARE BB-; Stable (26-Mar-24)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	19.00	CARE A4	-	1)CARE A4 (26-Mar-24)	-	-
3	Fund-based - LT-Term Loan	LT	0.57	CARE BB-; Stable	-			

LT: Long term; ST: 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 the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the 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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