Hind Unitrade Private Limited (Revised)

December 30, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	42.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**42.00 (₹ Forty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has placed the rating(s) of Hind Unitrade Private Limited (HUPL) under the 'issuer non-cooperating' category as HUPL has failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. HUPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and letter/emails dated dated December 09, 2022, December 15, 2022, December 19, 2022, December 21, 2022.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of lack of adequate information and uncertainty around the credit risk profile of the company. The rating continues to remained constrained by exposure to volatility in prices of traded goods, customer concentration risk, low profit margins and leveraged capital structure. The rating also factors in the intense competition and its exposure to auction driven process risk. Moreover, the rating continues to derive strength from satisfactory track record of operations and experienced promoters.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operation as marked by total operating income of above Rs.200 crore while maintaining operating margin above 3% on a sustained basis.
- Improvement in overall gearing level below 2x on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Sizable decline in scale of operation as marked by total operating income below 100 crore with decline in operating margin below 1.8% on a sustained basis.
- Deterioration in overall gearing ratio above 3x on a sustained basis.

Detailed description of the key rating drivers

At the time of last rating, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Leveraged capital structure: The capital structure of the company remained leveraged, marked by high debt equity ratio and overall gearing ratio which deteriorated from 0.80x and 2.21x as on March 31, 2020 to 1.00x and 2.38x as on March 31, 2021. The deterioration is on account of increase in covid loans coupled with higher CC utilization as on balance sheet date. However, total debt to GCA has improved to 9.38x in FY21 from 27.25x in FY20 and interest coverage ratio has improved to 2.78x in FY21 from 1.33x in FY20 on the back of higher increase in PBILDT level vis-à-vis increase in interest expenses.

Volatility in prices of traded goods: HUPL procuress its trading goods (non-coking coal) from companies like South Eastern Coalfields Ltd, Mahanadi Coalfields Ltd, Central Coalfields Ltd, etc. as well as from the open market for trading on stock & sale basis and thus the company is exposed to volatility in prices of the same to the extent of inventory holding. The company is selling coal mostly to iron and steel companies. From FY21, the company has also forayed into trading of other commodities like iron ore, dolomite, sugar, etc due to lower demand of coal on account of the on-going pandemic. The company is trading these commodities in the open market hence the profitability of the company is exposed to volatility in the prices of these commodities as well.

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

Customer concentration risk: The customer profile of the company is concentrated with around 52% of total revenue of FY22 (A) arising from top 10 customers.

Intense competition and exposure to auction driven process risk: Companies like South Eastern Coalfields Ltd, Mahanadi Coalfields Ltd and Central Coalfields Ltd award bid for coal lifting from its coal mine to its registered bidder only through e-auctions. There is intense competition among the registered bidders in securing purchase bid through auction. Therefore, there is a risk of non-receipt of contract and bid prices going up significantly.

Key Rating Strengths
Increase in scale of operations albeit profit margins continue to remain low owing to trading nature of business: The scale of operations of the company increased marked by total operating income of Rs.215.51 crore in FY21 vis-à-vis Rs.85.66 crore in FY20. In H1FY21, the company has earned total revenue of Rs.29.03 crore. On account of Covid-19 induced lockdown, there has been lower demand for coal during H1FY21, therefore HUPL forayed into trading of commodities like iron ore, billets, sugar, etc.
However, with gradual unlocking of economic activity in the country the demand for coal and other commodities has increased as a result the company has reported significant growth in its total operating income during FY21. The operating profit level has increased to Rs.8.53 crore in FY21 as against Rs.2.56 crore in FY20 in line with increase in sales. However, the operating margin remained in the range of 2.27% to 3.96% in last three years (FY19-FY21) mainly due to trading nature of operations. In 7MFY22, it has earned a turnover of Rs.214.00 crore.

Satisfactory track record of operations and experienced promoters: HUPL is into trading of non-coking coal since March 2010 and thus has satisfactory track record of more than a decade. The promoters, Mr Vinod Kumar Agarwal and Mr Sanjay Mittal, have more than one and half decade of experience in non-cooking coal trading business. Both the promoters are looking after the day to day operations of the company.

Industry outlook:
While domestic demand for coal from power sector picked up from August 2021 onwards as the business and economic activities have revived as the country unlocks from the second wave of Covid-19 pandemic inflicted lock-downs, supply from coal mines have been interrupted due to extended monsoons. However, India's coal production is expected to pick up going forward as monsoon recedes. Demand for coal, on the other hand, is expected to be higher than supply as rising international coal prices will likely keep tab on imports into the country. In order to achieve the annual production target and to meet the rising demand situation, the domestic coal companies, including Coal India Limited and Singareni Collieries Company Limited will have to significantly ramp up the production.

Liquidity: Stretched:
The liquidity position remained stretched marked by high fund-based limit utilisations, high repayment obligations vis-à-vis cash accruals and negative cash flow from operation in FY21. The average fund-based utilisation remained around 82% during last 12 months ended October 2021. Further it has availed adhoc fund-based limit of Rs.2.00 crore for funding its increasing working capital requirement until the enhancement of its fund-based limits. With availment of Covid loans in FY21, the repayment obligations have increased and cash accruals are expected to be tightly matched with the repayment obligations. The cash flow from operations stood negative in FY21 mainly on account of increase in debtors on the back of higher sales made towards the last quarter of the financial year.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Wholesale Trading

About the Company
HUPL was incorporated in March 2010 by Mr Vinod Kumar Agarwal and Mr Sanjay Mittal of Raipur, Chhattisgarh. Since its inception the company is engaged in trading of non-coking coal. However, the company has started coal processing business which includes activities like procurement of coal by participating in e-auction, lifting of coal from mines and crushing it as per client's requirements from FY16 along with its existing trading business. The company also provides transportation services to its customers. HUPL's coal crusher facility is located at Ambikapur, Chhattisgarh with a crushing capacity of 1 lakh metric ton per annum. Both the promoters look after the day to day operations of the company.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov.)
Total operating income	215.51	NA	NA
PBILDT	8.53	NA	NA
PAT	4.26	NA	NA
Overall gearing (times)	2.38	NA	NA
Interest coverage (times)	2.78	NA	NA

A: Audited, Prov.- Provisional, NA- Not Available

Status of non-cooperation with previous CRA:
Not Applicable

Any other information: NA

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

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

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	42.00	CARE BB; Stable; ISSUER NOT COOPERATING*

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	42.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (03-Dec-21)	1)CARE BB; Stable (02-Feb-21) 2)CARE BB; Stable (02-Apr-20)	1)CARE BB; Stable (01-Apr-19)
2	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (03-Dec-21)	1)CARE A4 (02-Feb-21) 2)CARE A4 (02-Apr-20)	-

*Long term/Short term.

Annexure-3: Detail**ed explanation of the covenants of the rated instruments/facilities: NA**

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Bank lender details for this company

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

Note on 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.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Punit Singhania
Phone: 9874341122
E-mail: punit.singhania@careedge.in

Relationship contact
Name: Lalit Sikaria
Phone: + 91-033- 40181600
E-mail: lalit.sikaria@careedge.in

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.

For the detailed Rationale Report and subscription information, please visit www.careedge.in