

International Conveyors Limited

November 23, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	18.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Negative (Triple B Minus; Outlook: Negative)
Short-term Bank Facilities	1.38	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Long/Short term Bank facilities	25.00	CARE BB+; Stable/ CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)	Revised from CARE BBB-; Negative/ CARE A3 (Triple B Minus; Outlook: Negative/ A Three)
Total Facilities	44.38 (Rs. Forty four crore and thirty eight lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of International Conveyors Limited (ICL) is on account of continued deterioration in financial performance in FY18 & H1FY19 (refers to the period from April 1 to September 30) and weakening of debt protection metrics. The ratings, also take into account small scale of operations, risk arising out of volatility in raw-material prices, working capital intensive nature of operations, exposure to exchange rate fluctuation and high exposure to group companies. However the company continues to draw comfort from long experience of the promoters, operation in niche segment with few competitors and reputed clientele portfolio. Going forward, the ability of the company to increase its scale of operations, improve operating margin and efficient management of working capital would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Deterioration in financial performance in FY18 & H1FY19: Total operating income of the company has deteriorated marginally from Rs.60.07 crore in FY17 to Rs.56.49 crore in FY18. PBILDT margin has turned negative in FY18 due to losses in conveyor belt segment. ICL has reported a cash loss of Rs.6.06 crore in FY18. In H1FY19, on a standalone basis ICL continued to report a loss of Rs.4.00 crore (as against loss of Rs.2.47 crore in H1FY18) on total operating income of Rs.37.67 crore (vis-à-vis Rs.15.56 crore in H1FY18). In H1FY19 ICL reported cash loss of Rs.4.57 crore and the company continued to service its interest obligations from interest bearing ICDs.

Weakening of debt protection metrics: The debt of the company had increased to Rs.77.16 crore as on Sep 30, 2018 vis-à-vis Rs.68.14 crore as on Mar 31, 2018 and Rs.42.30 crore as on Mar 31, 2017 due to increase in ICDs which were utilized for funding losses and increased working capital requirement. As a result the overall gearing of the company has moderated from 0.34x as on Mar 31, 2017 to 0.46x as on Mar 31, 2018 and 0.42x as on Sep 30, 2018. Total Debt/GCA has turned negative as on Mar 31, 2018 & Sep 30, 2018 vis-à-vis 11.75x as on Mar 31, 2017.

Small scale of operations: ICL is a small player in the solid woven PVC conveyor belt market in the global context and faces stiff competition from well established players.

Risk arising out of volatility in raw-material prices: Major raw-materials used in the process are yarn (polyester, cotton & spun) and chemicals (PVC resin, Phosphate Plasticizer & others). As the raw-materials are derivatives of crude oil, its prices are highly volatile in nature.

Working capital intensive nature of operations: The company's operation is working capital intensive nature due to requirement of holding inventories for lead time involved in import of raw-material and time involved in inspection of product quality by the customer and high credit period offer to its customers due to general practice in the industry.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Exposure to exchange rate fluctuation: ICL is exposed to foreign exchange risk due to high dependency on exports and imported raw-material.

High exposure to group companies: ICL's funded exposure to its group companies is Rs.143.03 crore as on Mar 31, 2018 amounting to 96.34% of net-worth as on the same date (77.64% as on the Mar 31, 2017). The increase was primarily due to increased fair valuation of investments and erosion of retained earnings. The majority of the exposure is in Elpro International Limited (EIL) in the form of equity shares fair value of which is about Rs.88.02 crore (historical cost of Rs. 11.89 crore) and 12% cumulative preference shares valued at Rs.48.32 crore (historical cost of Rs.30.0 crore).

Key Rating Strengths

Experienced & established promoters: International Conveyors Limited (ICL), incorporated in 1973, was promoted by Mr. Rajendra Kumar Dabriwala of Kolkata. Mr. Dabriwala, is a second generation entrepreneur, who started his career from his family managed coal mining business. However, with the nationalization of coal mines in India in early seventies and rising demand for PVC conveyor belts in mining industry, Mr. Dabriwala ventured into manufacturing of PVC conveyor belts. The promoter through his group companies is holding 15.27% stake in PNB Metlife India Insurance Company Limited which is valued at about Rs.1,537 crore.

Operating in a niche segment with few competitors in the domestic segment: The company is engaged in a niche segment i.e. manufacturing and marketing of solid woven PVC conveyor belts mainly used in underground mines (i.e. coal, potash). ICL is one of the major producers of PVC conveyor belt in the domestic market.

Reputed client portfolio: ICL's PVC conveyor belt is mainly used in underground mining for transportation of minerals. In the domestic market, Coal India is the major client of the company's product. As the domestic mining industry is mainly on open-cast route, the majority of its product is sold in the international market.

Liquidity: The current ratio of the company was 0.81x as on Mar 31, 2018. However, the average cash credit utilization for the last 12 months ended Sep 30, 2018 was 75%. Besides that, ICL had cash & bank balance of Rs.2.46 crore as on March 31, 2018. The liquidity situation of the company is expected to improve after redemption of preference shares in Elpro International Ltd. (EIL) worth about Rs.50 crore in anticipation of an IPO of PNB Metlife India Insurance Company Limited in which EIL is planning to dilute a part (3.81%) of its stake.

Analytical approach: Consolidated

In order to expand its overseas market base, ICL had floated the following wholly owned subsidiaries and step down subsidiary to market the company's products:

- International Conveyors America Limited (U.S.A.)
- International Belting Limited (India)
- Conveyor Holdings Pte. Limited (Singapore)
- International Conveyors Australia Pty Limited (Australia)

The exposure to subsidiaries is in the form of sale of products to export market which is routed through the above mentioned companies. Therefore CARE analytical team has considered the consolidated business and financial risk profile of International Conveyors Limited due to similar nature of operations and high degree of operational & financial linkage between the company & its subsidiaries.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Rating Methodology - Wholesale Trading](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[Criteria for Short Term Instruments](#)

About the Company

International Conveyors Limited (ICL), promoted in 1973 by Mr. Rajendra Kumar Dabriwala of Kolkata, is a closely held public limited company, engaged in the manufacturing of PVC covered fire retardant, antistatic conveyor belting which are mainly used in underground mining. ICL's has two manufacturing facilities of conveyor belt - located in Aurangabad, Maharashtra (with capacity of 700,800 MPA) and Falta, W.B. (with capacity of 425,000 MPA). The company is also engaged in wind power generation with a total of five wind turbine generators (having capacity of 4.65 MW) and trading of steel cord conveyor belts and fasteners.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	60.07	56.49
PBILDT	5.87	(2.56)
PAT	3.30	(7.44)
Overall gearing (times)	0.34	0.46
Interest coverage (times)	0.97	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE BB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	25.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Forward Contract	-	-	-	1.38	CARE A4+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	18.00	CARE BB+; Stable	1)CARE BBB-; Negative (08-Jun-18)	1)CARE BBB; Negative (03-Jan-18)	1)CARE BBB; Stable (23-Jan-17)	1)CARE BBB+ (12-Jan-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (27-Jan-17)	1)CARE BBB+ (12-Jan-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	25.00	CARE BB+; Stable / CARE A4+	1)CARE BBB-; Negative / CARE A3 (08-Jun-18)	1)CARE BBB; Negative / CARE A3+ (03-Jan-18)	1)CARE BBB; Stable / CARE A3+ (23-Jan-17)	1)CARE BBB+ / CARE A2 (12-Jan-16)
4.	Term Loan-Long Term	LT	-	-	-	-	-	1)CARE BBB+ (12-Jan-16)
5.	Non-fund-based - ST-Forward Contract	ST	1.38	CARE A4+	1)CARE A3 (08-Jun-18)	1)CARE A3+ (03-Jan-18)	1)CARE A3+ (23-Jan-17)	1)CARE A2 (12-Jan-16)

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