

Press Release

Hind Energy and Coal Beneficiation (India) Limited (HECBIL)



16 February, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA A/ Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA A**' (**read as SMERA A**) on the above mentioned Rs. 10.00 crore bank facilities of Hind Energy and Coal Beneficiation (India) Limited (HECBIL). The outlook is '**Stable**'.

For arriving at the ratings, SMERA has consolidated the business and financial risk profile of Hind Energy and Coal Beneficiation India Limited, Clean Coal Enterprises Private Limited, Radiant Coal Private Limited, Earth Mineral Company Limited, Hind Multi Services Private Limited together referred to as the Hind group. The consolidation is due to common promoters/directors, similarities in the lines of business and operational synergies within the group. The holding structure for such associate companies is fairly complex. The aggregate value of such investments in various associate companies stood at Rs. 52.26 crore as on 31 March, 2017.

The Bilaspur-based, HECBIL was incorporated in 2005 by Mr Pawan Kumar Agrawal, Mr. Rajeev Agrawal, Mr. Sanjay Agrawal and Mr. Satish Kumar Agrawal as a private limited company and converted to public limited in June 2010. It beneficiates and washes non-coking coal based on GCV(gross calorific value) value, grade, size, moisture content, etc required by customers before transporting it to them. It also trades in Reject Coal, (by-product of beneficiation). Since 2005, the Hind group has made both organic and inorganic growth to become one of the major private sector coal washeries in India with installed capacity of 11.70 MTPA as on Dec 31, 2017.

List of key rating drivers and their detailed description

Strengths

Strong market position in coal handling business

HECBIL has a strong market position in the coal beneficiation industry. At present coal washeries are limited in number compared to the beneficiated coal requirement in India. HECBIL is striving to make the most out of this demand supply gap by counting on both organic and inorganic modes to become one of the major coal washery in India.

Further, coal beneficiation business is regulated by the Ministry of Coal, Government of India as well as Ministry of Environment, Forest and Climate Change, Government of India. Entry in this segment is slow and restricted as only 0.96 MTPA capacity of beneficiation is sanctioned at a time for installation therefore giving existing business an entry barrier advantage.

Strong financial risk profile

HECBIL has a strong financial risk profile marked by healthy profitability and consolidated EBITDA of 12.2 percent as on 31 March, 2017 as compared to 9.96 percent in the previous year. The debt coverage indicators are also strong at a consolidated 4.24 times and Interest Coverage Ratio at 7.98 times as on 31 March, 2017 as compared to 2.28 times and 4.07 times respectively as on 31 March, 2016. The NCA margins improved from 5.7 percent as on 31 March, 2016 to 7.31 percent as on 31 March, 2017.

Experienced management

The promoters have extensive experience and knowledge in the coal beneficiation and trading business and have adopted robust strategies to grow on a continuous basis year on year through the organic and inorganic methods.

Weaknesses

Working capital intensive operations

The operations are working capital intensive. The working capital cycle stood high at 56 days with GCA days of around 160 days in FY2016-17. Further, the debtors days stood at 79 in FY2016-17 as compared to 69 days in FY2015-16.

Investment in real estate and other business arms

HECBIL has exposure to real estate business through equity or preference share investment in various associate companies.

Analytical approach:

For arriving at the ratings, SMERA has consolidated the business and financial risk profile of the Hind group.

Outlook – Stable

SMERA believes that the Hind group will maintain a stable outlook over the medium term on account of its established business profile driven by its enhanced coal capacity, strong customer profile and healthy financial performance. The outlook may be revised to 'Positive' in case of significant improvement in revenues and accruals while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the business profile or increased exposure to real estate through group companies.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	539.47	537.59	656.32
EBITDA	Rs. Cr.	65.94	53.54	49.58
PAT	Rs. Cr.	28.48	18.90	26.68
EBITDA Margin	(%)	12.22	9.96	7.55
PAT Margin	(%)	5.28	3.52	4.06
ROCE	(%)	18.90	16.26	41.07
Total Debt/Tangible Net Worth	Times	0.31	0.34	0.25
PBDIT/Interest	Times	7.98	4.07	6.70
Total Debt/PBDIT	Times	4.24	2.28	5.04
Gross Current Assets (Days)	Days	160	155	135

Status of non-cooperation with previous CRA (if applicable):

ICRA in its press release dated April, 2017 had inter-alia mentioned the following: 'CARE has suspended the long term rating of (ICRA) BBB- (pronounced ICRA triple B minus) assigned to the Rs. 30.00 crore working capital facility and the short term rating of (ICRA) A3 (pronounced ICRA A three) assigned to the Rs. 39.20 crore, non-fund based bank facilities of Hind Energy & Coal Beneficiaion (India) Limited. The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information:

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A/ Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Bhanupriya Khandelwal, Rating Analyst, Tel: +91-22-6714 1131 Email: Bhanupriya.khandelwal@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.