

Press Release

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

08 March, 2018



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr. (Enhanced from Rs 10.00 cr)
Long Term Rating	SMERA A/ Stable (Reaffirmed)
Short Term Rating	SMERA A1 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the **long term rating of 'SMERA A' (read as SMERA A)** on the Rs.10.00 crore bank facilities of Hind Energy and Coal Benefication (India) Limited (HECBIL). Further, SMERA has also assigned long term rating of **'SMERA A' (read as SMERA A)** and short term rating of **'SMERA A1' (read as SMERA A one)** on the Rs. 90.00 crore bank facilities. The outlook is **'Stable'**.

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Hind Energy (located in Bilaspur with installed capacity of 5.52 MTPA) and Clean Coal Enterprises Private Limited (located in Korba with installed capacity of 0.96 MTPA). Further, Radiant Coal Benefication Private Limited (located in Raigarh with installed capacity of 1.22 MTPA), Earth Mineral Company Limited (located in Odisha with installed capacity of 4.00 MTPA) and Hind Multi Services Private Limited are the other group companies of Hind group engaged in the same line of business whose commercial production is yet to begin. The commercial production of Radiant Coal Benefication Private Limited, Earth Mineral Company Limited is expected to start in FY2018-19 while that of Hind Multi Services Private Limited will operate from FY2019-20. The consolidation is due to common promoters, similarities in the lines of business and operational synergies within the group.

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 non-coking coal based on GCV requirement of the customers like power generating, steel and cement industries. The company also trades in reject coal, (by-product of beneficiation). Since 2005, the Hind group has grown organically and inorganically 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

Established position in coal beneficiation

The Hind group 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 washeries in India.

Further, the 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 which creates entry barriers resulting in advantage to existing companies.

Strong financial risk profile

The Hind group has a strong financial risk profile marked by consolidated networth of Rs. 212 crore as on 31 March, 2017 compared to Rs. 193.53 as on 31 March, 2016. The gearing stood low at 0.34 times as on 31 March, 2017 and 0.38 times as on 31 March, 2016. The debt mainly consists of cash credit facilities. The consolidated EBITDA stood at 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 standing 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 in the previous year. The NCATD slightly improved from 0.41 times as on 31 March, 2016 to 0.55 percent as on 31 March, 2017.

Experienced management

The group is led by Mr. Pawan Kumar Agrawal, Mr. Rajeev Agrawal, Mr. Sanjay Agrawal and Mr. Satish Kumar Agrawal with extensive experience in coal beneficiation and trading.

Established relations with reputed customers

The Hind group caters to power generation, steel and cement industries. The customers include Hindalco Industries Limited, Tata Power Company Limited, Adani Power Limited, Jindal Power Ltd, Ultratech Cement Ltd among others.

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 investments in various associate companies such as Ramakrishna Infracon Private limited, Fortune Resources Private Limited to name a few.

Analytical approach:

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

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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):

India Ratings and Research (Ind-Ra), vide release dated July 14, 2017 has migrated Hind Energy & Coal Benefication (India) Limited's (HECBIL) Long-Term Issuer Rating to the non-cooperating category on account of lack of adequate information required for monitoring of ratings.

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
16- Feb, 2018	Cash Credit	Long Term	10.00	SMERA A / Stable

*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	60.00 (enhanced from Rs. 10.00 crore)	SMERA A/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA A1 (Assigned)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A/ Stable (Assigned)

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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.

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