Press Release

Clean Coal Enterprises Private Limited

January 06, 2021

Rating reaffirmed

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITÉ A+/Stable (Reaffirmed)
Short Term Rating	ACUITÉ A1 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITÉ A+' (read as ACUITÉ A Plus)** and reaffirmed the short term rating of **'ACUITÉ A1' (read as ACUITÉ A one)** on the Rs.25.00 crore bank facilities of Clean Coal Enterprises Private Limited (CCEPL). The outlook is **'Stable'**.

Clean Coal Enterprises Private Limited also 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. CCEPL is part of Hind group.

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 later the constitution was changed to a limited company in 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). The group has an installed capacity of 16.64 MTPA.

Radiant Coal Benefication Private Limited (RCBPL) promoted by Mr. Pawan Kumar Agarwal and Mr. Satish Kumar Agarwal for coal beneficiation business in Raigarh with an installed capacity of 1.44 MTPA. Entire revenue of the company is generated from transportation of coal.

Earth Minerals Company Limited (EMCL) was acquired by the Hind Energy group in 2017. The company has a coal washing capacity of 4.0 million tonne per annum.

Hind Multi Services Private Limited is subsidiary of HECBIL which has a washing capacity of 3.4 million tonne per annum.

Analytical Approach

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Hind Energy and Coal Benefication (India) Limited (HECBIL), Clean Coal Enterprises Private Limited (CCEPL), Radiant Coal Benefication Private Limited (RCBPL), Earth Mineral Company Limited (EMCL) and Hind Multi Services Private Limited (HMSPL), hereinafter referred to as the Hind Group (HG). The consolidation is in the view of similar line of business, common management and HECBIL holds more than 50 percent stake in CCEPL, RCBPL, EMCL & HMSPL.

Key Rating Drivers

Strengths

• **Experienced management and healthy scale of operation**

The Hind Group was incorporated in 2005 by Mr. Pawan Kumar Agarwal. The group is engaged in coal washing, coal liasoning, coal transportation and coal trading. The group has incorporated 5 companies with a collective washing capacity of 16.64 MTPA. The group has a strong customer base which includes private and public sectors such as Rajasthan Rajya Vidyut Utpadan Nigam Limited, Vedanta Limited, Gujarat State Electricity Corporation Limited, Nabha Power Limited and TATA Power Company Limited among others. The group has a healthy scale of operation as revenue stood at Rs 652.81 crores in FY20 (Provisional) as against Rs 618.59 crores in FY19. This improvement is driven by rise in income from coal trading segment. Acuité believes scale of operation is expected to improve in medium term as the group has annual contracts of around Rs 523 crores issued by various power generating companies pertaining to washing and transportation of coal.

Healthy profitability margin

The profitability of the group stood healthy as EBITDA margin stood at 24.31 percent in FY20 (Provisional) as against 17.01 percent in FY19. This improvement is driven by decline in raw material cost. RoCE of the group stood at 27.53 percent in FY20(Provisional) as compared to 19.47 percent in FY19. Acuité believes the profitability will continue to remain healthy in medium term backed by high margins in the coal washing segment.

Strong financial risk profile

The financial risk profile is marked by its strong net worth, low gearing ratio and healthy debt protection metrics. The net worth of the group stood at Rs. 409.42 Cr. as on 31st March'2020(Provisional) as compared to Rs 321.55 Cr. in the previous year due to retention of profit. The gearing ratio of the company stood at 0.26 times in FY20(Provisional) as against 0.46 times in FY19 due to decline in debt level because of low utilization of fund based limits during the year end. The total debt of Rs.105.01 Cr in FY2020 (Provisional) consists of short-term loan of Rs. 53.57 Cr, long-term debt of Rs. 50.5 Cr and unsecured loan from promoters of Rs. 0.74 Cr. TOL/TNW stood comfortable at 0.43 times in FY20(Provisional). Interest coverage and DSCR stood at 13.02 times and 5.09 times in FY20 as against 9.46 times and 3.91 times in FY19 respectively. The improvement in coverage ratios is driven by improvement in the profitability margin. NCA/TD stood at 1.09 times in FY20(Provisional) as against 0.53 times in FY19. Acuité believes the financial risk profile will continue to remain strong over the medium term due to absence of any large debt funded capex plan and low reliance on external debt.

High Entry Barrier

The coal beneficiation business in India is highly regulated and falls under the purview of Ministry of Coal, Government of India as well as Ministry of Environment, Forest and Climate Change, Government of India. Such high level of regulation from multiple government authorities creates entry barriers for new players. New entrant will face tough competition from existing players who have high market presence and geographic reach, established track record, lower capital costs.

Weaknesses

End user sector challenges

Coal washed, transported and traded by Hind group find their end use by companies involved in power generation, cement manufacturing and steel and metal plants. The consumers that Hind group caters to are also under high regulation from the government. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to significant reduction in energy consumption from power plants, putting the power plants under financial distress. Loss of supply linkages between the cement industry and coal availability has been a developing challenge in India over lack of infrastructure. Further, capital intensive steel and metal plants have been under low potential utilization and have been experiencing reduced productivity amidst global competition and slowdown in domestic economic conditions. Any policy changes affecting the highly regulated coal industry or its end users will impact the financial risk profile of Hind group. The ability of Hind group to grow in such conditions and maintain its profitability will be key monitorable in the future.

Rating Sensitivity

- Sustenance in revenue growth and profitability
- Environmental regulations

Material Covenant

None

Liquidity Profile: Superior

The group has a superior liquidity profile marked by sufficient cash accruals to meet their term debt obligations. Net cash accrual of the company stood at Rs 114.07 crore in FY20(Provisional) as against current maturity of Rs 14.89 crore. Going forward, the net cash accruals are expected to be in the range of Rs 90-120 Cr as against current maturity of around Rs. 10 Cr from FY21-FY23. The working capital utilization stood at around 52 percent during 12 months ended October 2020. The cash & bank balance stood at Rs 4.86 crore as on 31 March 2020(Provisional). The current ratio of the company stood comfortable at 1.50 times in FY20. In addition, the group has modest working capital requirement as GCA days stood at 137 days in FY20(Provisional) as against 143 days in FY19. Acuité believes the liquidity position of the group will remain superior backed by steady cash flow and accrual over the medium term.

Outlook: Stable

Acuité believes that Hind Group will maintain a 'Stable' outlook over the medium term on account of its of its healthy financial risk profile and strong customer profile. The outlook may be revised to 'Positive' in case of significant improvement in scale of operation along with maintenance of strong financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity profile due to stretched receivables.

About the Rated Entity - Key Financials
Consolidated

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	652.81	618.59
PAT	Rs. Cr.	87.79	54.89
PAT Margin	(%)	13.45	8.87
Total Debt/Tangible Net Worth	Times	0.26	0.46
PBDIT/Interest	Times	13.02	9.46

Standalone

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	96.03	123.07
PAT	Rs. Cr.	4.76	9.98
PAT Margin	(%)	4.95	8.11
Total Debt/Tangible Net Worth	Times	0.46	0.35
PBDIT/Interest	Times	11.96	10.96

Status of non-cooperation with previous CRA:
Not Applicable

Any other information
Not Applicable

Applicable Criteria
Default Recognition -https://www.acuite.in/view-rating-criteria-52.htm
Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm
Consolidated - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16 December 2020	Cash Credit	Long Term	15.00	ACUITÉ A+/Stable (Upgraded)
	Letter of Credit	Short Term	5.00	ACUITÉ A1 (Reaffirmed)
	Proposed Fund based Facility	Long Term	5.00	ACUITÉ A+/Stable (Upgraded)
31 May 2019	Cash Credit	Long Term	15.00	ACUITÉ A/Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITÉ A1 (Reaffirmed)
	Proposed Fund based Facility	Long Term	5.00	ACUITÉ A/Stable (Reaffirmed)
14-March-2018	Cash Credit	Long Term	15.00	ACUITÉ A/Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITÉ A1 (Assigned)
	Proposed Fund based Facility	Long Term	5.00	ACUITÉ A/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the	Date of	Coupon	Maturity	Size of the	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITÉ A+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITÉ A1 (Reaffirmed)
Proposed Fund based	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITÉ A+/Stable (Reaffirmed)

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About Acuité Ratings & Research:
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