

Press Release

Clean Coal Enterprises Private Limited

February 06, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE A+ Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the **long-term rating of 'ACUITÉ A+' (read as ACUITÉ A plus) and 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. The outlook is **'Stable'**.

Rationale for the rating

The ratings reflect group's healthy business profile supported by its diversified customer base which includes reputed corporates like Vedanta Ltd, Dalmia Cement (Bharat) Ltd and state government undertakings. In addition, the group has bagged several contracts from state owned power generating companies which provides revenue visibility over the medium term. The group has registered strong revenue growth in FY22 driven primarily by increase in trading income. The rating also factors in the group's robust financial risk profile marked by sound net worth and conservative capital structure. Further the group has a solid liquidity position as reflected from its strong accruals and nominal working capital utilization. These rating strengths are however, partially offset by the working intensive nature business.

About Company

Clean Coal Enterprises Private Limited beneficiates non-coking coal based on GCV requirement of the customers like power generating, steel and cement industries. The company trades in reject coal. CCEPL is part of Hind group.

About the Group

Hind Energy and Coal Benefication (India) Limited (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 Benifcation Private Limited (RCBPL) promoted by Mr. Pawan Kumar Agarwal and Mr. Satish Kumar Agrawal for coal beneficiation business in Raigarh with an installed

capacity of 0.9 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 MTPA. Hind Multi Services Private Limited (HMSPL) is subsidiary of HECBIL which has washing capacity of 3.4 MTPA.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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 stakes in CCEPL, RCBPL, EMCL & HMSPL.

Key Rating Drivers

Strengths

Strong business profile

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 long term association with reputed entities which includes private and public sectors undertaking such as Rajasthan Rajya Vidyut Utpadan Nigam Limited, Vedanta Limited, Gujarat State Electricity Corporation Limited among others. The outstanding order book reflects annual contracts of around Rs 526 crores issued by various power generating companies pertaining to washing and transportation of coal.

The group has a healthy scale of operation as revenue stood at Rs 756 crores in FY22 as against Rs 267 crores in FY21. This improvement is driven by rise in income from coal trading segment because of increase in demand for coal due to improvement in economic activities. However the group had witnessed a sharp decline in scale of operation during FY21 due to disruption in operation during the pandemic outbreak. Acuité believes scale of operation is expected to improve in medium term backed by steady order flow from state owned entities.

Steady profitability margin

The profitability of the group stood steady as EBITDA margin stood at 25.79 percent in FY22 as against 28.64 percent in FY21. The moderation in profit margins in FY22 is driven by the increased proportion of trading sales. RoCE of the group stood at 26.65 percent in FY22 as compared to 11.01 percent in FY21. Acuité believes the profitability will continue to remain healthy in medium term backed by high margin in coal washing segment.

Robust financial risk profile

The financial risk profile is marked by its strong net worth, low gearing ratio and sound debt protection metrics. The net worth of the group stood at Rs. 605.75 Cr. as on 31st March'2022 as compared to Rs 488.07 Cr. in the previous year. The gearing ratio of the group stood at 0.23 times in FY22 as against 0.18 times in FY21. TOL/TNW stood comfortable at 0.40 times in FY22. Interest coverage and DSCR stood strong at 12.40 times and 3.11 times in FY22 as against 6.47 times and 1.50 times in FY21 respectively. The improvement in coverage ratio is driven by rise in absolute EBITDA. NCA/TD stood at 1.02 times in FY22 as against 0.52 times in FY21. Acuité believes the financial risk profile will continue to remain robust 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 and lower capital costs.

Weaknesses

Working capital intensive operations

The operations of the group are working capital intensive as reflected from their historical Gross Current Asset (GCA) days. GCA days stood at 175 days in FY22 as against 323 days in FY21 due to high debtor days. Debtor days stood high at 87 days in FY22 because of stretched receivables from different government owned entities. However inventory days stood modest at 15 days in FY22 as compared to 42 days in FY21. Acuité believes the operation of the group will continue to remain working capital intensive because of stretched receivables.

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 Sensitivities

Sustenance in revenue growth
Maintenance of their capital structure
Any change in government regulations

Material Covenants

None

Liquidity Position

Adequate

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 145 crore in FY22 as against current maturity of Rs 34.69 crore. Going forward, the net cash accruals are expected to be in the range of Rs 180-190 Cr as against current maturity of around Rs. 29 Cr from FY23-FY24. The working capital utilization stood at around 21 percent during 24 months ended December 2022. The cash & bank balance stood at Rs 10.17 crore as on 31 March 2022. The current ratio of the company stood comfortable at 2.56 times in FY22. The overall working capital requirement stood high as GCA days stood at 175 days in FY22 as against 323 days in FY21. Acuité believes the liquidity position of the company will remain adequate backed by steady accrual over the medium term.

Outlook:

Acuité believes that Hind Group will maintain a 'Stable' outlook over the medium term on account of its strong financial risk profile and sound business 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 or financial risk profile due to stretched receivables.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	755.55	267.72
PAT	Rs. Cr.	118.87	25.23
PAT Margin	(%)	15.73	9.43
Total Debt/Tangible Net Worth	Times	0.23	0.18
PBDIT/Interest	Times	12.40	6.47

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

Infomerics, vide its press release dated Jan 09, 2023 had denoted the rating of Clean Coal Enterprises Pvt. Ltd as IVR BB-/ A4, (INC).

ICRA vide its press release dated November 29, 2022 had denoted the rating of Clean Coal Enterprises Pvt. Ltd Limited as [ICRA]B+ (Stable)/ A4, (INC).

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jun 2022	Proposed Bank Facility	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
06 Jan 2021	Proposed Bank Facility	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Reaffirmed)
16 Dec 2020	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	15.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A+ Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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