



**Press Release**  
**Kalinga Commercial Corporation Limited**  
**December 26, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	105.00	ACUITE A   Stable   Upgraded	-
Bank Loan Ratings	65.00	-	ACUITE A1   Upgraded
Total Outstanding Quantum (Rs. Cr)	170.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and the short-term rating to **ACUITE A1' (read as ACUITE A one)** from **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs.170.00 Cr bank facilities of Kalinga Commercial Corporation Limited (KCCL). The outlook is **'Stable'**.

**Rationale for Rating**

The rating upgrade is on account of significant improvement in revenues of KCCL while maintaining the profitability margins at a healthy level. The operating income of the company has increased significantly to ~Rs.1780 Cr. in FY2023 as compared to ~Rs.1151 Cr. in the previous year marking a growth of nearly 55% and a four-year CAGR ended FY2023 of ~31%. Despite significant increase in finance cost led by a capex, company's profitability margins stood improved at a healthy level of 11.47% in FY2023 and 9.94% in FY2022, while 23.50 per cent in FY2023 as compared to 21.99 per cent in FY2022 on an operating level. KCCL's current year's 6MFY2024 revenues (includes other income) stood ~Rs.1000 Cr. while maintaining the EBITDA levels at around 28%. The rating also derives comfort from healthy Net worth of the company that stood at ~Rs. 600 Cr. as of March 31, 2023, against Rs. 394 Cr. as of March 31, 2022, due to healthy accretions of profits. The sequential improvement in revenues is on account of steady order flow from the principals on a regular basis coupled with strong execution capabilities. Further, the rating upgrade takes comfort from KCCL's healthy orderbook position of around Rs. 28,000 Cr. to be completed over a period of 10 years giving a long-term revenue visibility.

Further, the rating continues to consider KCCL's established track record of operations and long-standing experience of the promoters in the mining industry, healthy business relations with reputed clientele and KCCL's strong project execution capabilities. However, these strengths are partially offset by the highly regulated, competitive, and tender based industry. Also, KCCL has been continuously undertaking capex in order to keep up with its large order inflow and is further expected to undertake a capex of around Rs. 680 Cr. during FY2024 which will have large repayments to the tune of ~Rs. 250 Cr. in FY2024, and around ~Rs. 330 Cr in FY2025. Further, company's ability to timely execute orders and timely recovery of collections will remain key rating sensitivity.

**About the Company**

Odisha based; Kalinga Commercial Corporation Limited (KCCL) was established in the year 1991 as a proprietorship firm by Mr. Soumya Ranjan Samal. Later in FY2010, it was reconstituted into a limited company. KCCL is engaged in the turnkey mining activities which includes

extraction of iron-ore, coal and chromite. The company undertakes mining contracts on behalf of PSU's and government entities like Orissa Mining Corporation (OMC), Steel Authority

India Limited (SAIL), TATA Steel Mining Ltd, NTPC etc among others. Currently, the company is managed by Mr. Soumya Ranjan Samal along with his brother Mr. Manoj Ranjan Samal and other directors.

### Unsupported Rating

Not Applicable

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of KCCL while arriving at the rating.

### Key Rating Drivers

#### Strengths

#### **Experienced management and long track record of operation and association with reputed clientele**

The promoter of the company Mr. Soumya Ranjan Samal along with Mr. Manoj Ranjan Samal, Mrs. Archana Samal, have more than three decades of experience in the mining industry. The other directors Mr. James Joseph, Mr. Bijay Kumar Otta and Mr. Ramesh Chandra Mohanty also have experience of more than five decades in the mining industry. The company has long presence in this sector and has established healthy relationship with the companies like Orissa Mining Corporation, Steel Authority of India, Tata Steel Ltd, NTPC etc.

Acuité believes that the company will continue to benefit from its promoters' extensive industry experience and healthy relationship with Principals over the long term.

#### **Sequential growth in revenues with healthy profitability margins and strong orderbook position**

The operating income of the company has been improving sequentially over the years and stood at ~ Rs. 1779.84 Cr. in FY2023 against Rs. 1150.53 Cr. in FY2022 and Rs. 781.77 Cr. in FY2021 marking a significant revenue growth of nearly 55% in FY2023. and a four-year CAGR of ~31% ended FY2023. The improvement in revenues is mainly on account of increase in work order execution. During FY2023, company had an unexecuted orderbook of ~Rs. 17000 Cr which has now increased to ~Rs. 28000 Cr. as on September 2023 giving long term revenue visibility of over 8-10 years.

Acuité believes the revenue of the company will increase going forward based on the healthy order book, however timely execution of the same will remain a key rating sensitivity. Further, the operating margins of the company stood healthy at 23.50 per cent in FY2023 against 21.99 per cent in FY2022. Acuité believes that KCCL will sustain its profits at similar levels backed by in-built price escalation clause that provides cushion for covering the increased input cost. which helps the company from any large variation in the raw material prices, as reflected in the sustainable increase in the operating margins over the years. The operating margins for 6MFY2024 have further improved to ~28%. Additionally, despite increased finance cost the net profitability margin of the company stood improved at 11.47 per cent in FY2023 from 9.94 per cent in FY2022.

Acuité believes the profitability margin of the company will be sustained at healthy levels over the medium term on account of availability of adequate price escalation clause with the counter party.

#### **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by strong net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood strong at Rs. 600 Cr. as on March 31, 2023. against Rs.394 Cr. as on March 31, 2022. The improvement in net worth is on account of ploughing back of profits during the period. The gearing of the company although increased during FY2023, stands comfortable at 1.69 times as on March 31, 2023, against 0.80 times as on March 31, 2022. The moderate increase in gearing is a result of additions to the borrowings to undertake capex. Despite additions of loans and increased finance costs, Interest coverage ratio (ICR) of the company stood strong at 8.37 percent in FY2023 against 9.41 times in FY2022. Further, the debt service coverage ratio (DSCR) of the

company stood healthy at 2.28 times in FY2023 against 1.66 times in FY2022. Going ahead, during FY2024 KCCL is expected to undertake additional capex to the tune of Rs. 680 Cr. which is expected to increase the debt levels during the same period. However, considering company's healthy profitability a corresponding increase in the net worth is also expected. The gearing during FY2024 is expected to remain in the range of 1.55-1.65 times, while the coverage ratios like ICR & DSCR are expected to remain at over 6.50 times and 1.43 times respectively during FY2024.

### **Weaknesses**

#### **Large Capital expenditure in near future.**

Mining industry is a capital-intensive business and requires constant innovation and technology change to ensure lesser risks to environment, improved safety records while execution of orders within stipulated timelines. KCCL has made additions to its Gross Block of around ~Rs. 750 Cr. during FY2023, which majorly pertain additions to Plant & Machinery. Further, it has a planned capex to the tune of Rs. 680 Cr. during FY2024 for which it would avail additional debt of around Rs. 300-400 Cr. The total debt including lease liabilities of KCCL as on March 31, 2023, stood at ~Rs. 1014 Cr. which is expected to further increase to ~Rs. 1400 Cr. during FY2024. Also, with greater capex, the immediate debt obligations for the company are expected at Rs. 250 Cr. for FY2024, while ~Rs. 330 Cr in FY2025. However, company has a huge outstanding order value close to Rs. 28,300 Cr. to be completed over a period of 10 years which gives a healthy revenue visibility. Also, considering KCCL's ability to pass on the pricing to its clients' while sustaining own profitability will ensure adequate cushion between the accruals and repayments. The NCA for FY2024 and FY2025 are expected at ~Rs. 390 Cr. and ~Rs. 500 Cr. against repayments of Rs. 250 Cr and Rs. 330 Cr. respectively. However, Acuite believes timely execution of orders and its collections will remain critical for the maintenance of healthy financial risk profile of KCCL.

#### **Tender based and competitive nature of operations and highly regulated industry**

Mining industry is marked by presence of many small and large players. Entire business of KCCL is majorly concentrated in Orissa region, the largest iron ore producing state in India. The company undertakes tender based operations which pose a risk of uncertainty in the awarding of tenders as it faces competition from the other players while bidding for tenders. Further, the mining industry is highly regulated by the government ranging from licensing, extraction quantum, and export, amongst other. There have been continuous regulatory changes in terms of state governments' policies towards mining activity. Any adverse change in the regulations can affect its business risk profile, and consequently, affect credit risk profile of the company.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- Timely order book execution and timely collections of receivables.
- Scaling up of operations while maintaining the profitability margins.
- Sustenance of financial risk profile without significant impact on the capital structure.
- Timely repayment of relatively higher debt obligations.

### **All Covenants**

Not Applicable.

### **Liquidity Position Adequate**

The company has an adequate liquidity marked by healthy net cash accruals of Rs.307.88 Cr. as against Rs.106.09 Cr. long term debt obligations in FY2023. The cash accruals of the company are estimated to remain in the range of around Rs. 400 crore to Rs. 500 crore during FY2024 & FY2025 as against ~Rs. 248 Cr. crore of long-term debt obligations in FY2024 and ~Rs.330 Cr. in FY2025 respectively. The moderate working capital management of the

company is marked by comfortable Gross Current Asset (GCA) days of 136 days in FY2023. The bank limit of the company has been ~60 percent utilized during the last six months ended in October 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against long debt repayments over the medium term.

**Outlook: Stable**

Acuité believes that KCCL's business risk profile is expected to remain 'Stable' on the back of extensive promoter's experience in the mining industry and healthy business risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected execution of orders while improvement in accruals and debt protection metrics. Further, the outlook may be revised to 'Negative' in case of a sharp decline in revenues, or deterioration in profitability margin affecting the financial risk profile significantly.

**Other Factors affecting Rating**

Not Applicable.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1779.84	1150.53
PAT	Rs. Cr.	204.16	114.35
PAT Margin	(%)	11.47	9.94
Total Debt/Tangible Net Worth	Times	1.69	0.80
PBDIT/Interest	Times	8.37	9.41

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

Not Applicable.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2022	Bank Guarantee	Short Term	39.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Term Loan	Long Term	9.36	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	26.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Term Loan	Long Term	7.30	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	39.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Working Capital Demand Loan	Long Term	1.92	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Bank Guarantee	Short Term	26.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	21.42	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
26 Nov 2021	Term Loan	Long Term	9.36	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	39.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	39.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	21.42	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	26.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Term Loan	Long Term	7.30	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Working Capital Demand Loan	Long Term	1.92	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	26.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
28 Aug 2020	Bank Guarantee	Short Term	39.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	20.70	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	26.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	8.58	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	26.00	ACUITE A3+ (Assigned)
	Working Capital Term Loan	Long Term	10.72	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	39.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   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	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	39.00	ACUITE A1   Upgraded ( from ACUITE A2+ )
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A1   Upgraded ( from ACUITE A2+ )
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	39.00	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A   Stable   Upgraded ( from ACUITE A- )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	21.42	ACUITE A   Stable   Upgraded ( from ACUITE A- )
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.36	ACUITE A   Stable   Upgraded ( from ACUITE A- )
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.92	ACUITE A   Stable   Upgraded ( from ACUITE A- )
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.30	ACUITE A   Stable   Upgraded ( from ACUITE A- )



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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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