



Press Release
Kalinga Commercial Corporation Limited
March 21, 2024

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	83.58	ACUITE A Reaffirmed & Withdrawn	-
Bank Loan Ratings	21.42	Not Applicable Withdrawn	-
Bank Loan Ratings	65.00	-	ACUITE A1 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	170.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating '**ACUITE A**' (read as **ACUITE A**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.148.58 Cr. bank facilities of Kalinga Commercial Corporation Limited (KCCL). Further, Acuite has withdrawn the long-term rating on the Rs. 21.42 Cr. bank facilities of Kalinga Commercial Corporation Limited (KCCL) without assigning any rating as it is a proposed facility. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Rationale for Rating

The rating reaffirmation is on account of stable performance with healthy growth in operating income and improvement in the profit margins. 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%. The company's profitability margins stood healthy with operating margin of 23.5% and net profitability of 11.47% in FY2023. In 6MFY2023, KCCL's revenues (includes other income) stood at ~Rs.1000 Cr. with an EBITDA 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 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.

Healthy revenue with improved 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 marking a significant revenue growth of nearly 55% in FY2023. The improvement in revenues is mainly on account of increase in work order execution. The company had an unexecuted orderbook of ~Rs. 28000 Cr. as on September 2023 giving a long term revenue visibility. 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 insulates 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.

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

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. Acuite 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

Not Applicable

Other Factors affecting Rating

None.

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

- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Dec 2023	Bank Guarantee (BLR)	Short Term	26.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	39.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Cash Credit	Long Term	26.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	39.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	21.42	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	9.36	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	1.92	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Working Capital Term Loan	Long Term	7.30	ACUITE A Stable (Upgraded from ACUITE A- Stable)
27 Sep 2022	Cash Credit	Long Term	39.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	26.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Long Term Bank Facility	Long Term	21.42	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee (BLR)	Short Term	39.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee (BLR)	Short Term	26.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Working Capital Demand Loan (WCDL)	Long Term	1.92	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	9.36	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Working Capital Term Loan	Long Term	7.30	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
26 Nov 2021	Working Capital Demand Loan (WCDL)	Long Term	1.92	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Long Term Bank Facility	Long Term	21.42	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	9.36	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee (BLR)	Short Term	26.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	39.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	39.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	26.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Term Loan	Long Term	7.30	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A1 Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE A1 Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE A Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.42	Not Applicable Withdrawn
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.36	ACUITE A Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.92	ACUITE A Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	31 Jul 2017	Not avl. / Not appl.	31 Dec 2021	Simple	7.30	ACUITE A Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Preet Ludhwani Associate Vice President-Rating Operations Tel: 022-49294065 preet.ludhwani@acuite.in	

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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