

Press Release

Bhatia Energy & Minerals Private Limited

October 14, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 32.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 32.50 crore bank facilities of Bhatia Energy & Minerals Private Limited. The outlook is '**Stable**'.

Bhatia Energy & Minerals Private Limited (BEMPL), incorporated in 2009, was acquired by Indermani Group in March 2018. BEMPL is a Raigarh-based company, which has a coal washery with an installed capacity of 960000 MTPA. The company also provides railway sidings and is engaged in coal trading. The washery unit of the company is located at Raigarh, Chhattisgarh.

About the group

Indermani Minerals India Private Limited (IMIPL) (rated at Acuite BBB/Stable/A3+), the flagship company of Indermani Group was incorporated in 1997 by Mr. Sunil Agrwal, Mr. Prakash Chand Agarwal and Mr. Pankaj Agrwal. This Raipur-based group is engaged in trading of coal apart from coal washery and logistic services. In March 2018, Indermani Group acquired 8.71 per cent stake in Bhatia Energy & Minerals Private Limited (BEMPL). The balance stake has been acquired by the promoters of IMIPL. In FY2019, BEMPL has procured 94 per cent of total coal procurement from Indermani Minerals India Private Limited.

Analytical Approach

Acuite has taken a standalone view of BEMPL while arriving at the rating. However, Acuite derives comfort from the strong parentage of the Indermani Group.

Key Rating Drivers:

Strengths

- **Experienced management**

BEMPL was incorporated in 2009 and taken over by Indermani Group in March 2018. Currently, the company is managed by Mr. Sunil Agarwal, Mr. Vikas Prakash Chand Agarwal and Mr. Pankaj Agarwal, Director, who possess more than two decades of experience in trading of coal. This long experience helps the company to create healthy relation with its customers as well as with the suppliers.

- **Healthy financial risk profile**

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 58.87 crore in FY2019 (Prov.) as increased from Rs. 27.94 crore in FY2018, mainly due to retention of annual profit. Acuite has considered unsecured loan from the promoters to the tune of Rs. 27.46 crore as quasi equity since the management has undertaken to retain the same in the business over the medium term. The gearing of the company stood comfortable at 0.65 times as on March 31, 2019 (Prov.) when compared to 2.48 times as on March 31, 2018. The gearing of the company has improved mainly on account of increase in Networth to Rs. 58.87 crore in FY2019 (Prov.) from Rs. 27.94 crore in FY2018. The total debt of Rs. 38.47 crore consist of long term debt of Rs.36.68 crore and short term debt of Rs.1.79 crore. The interest coverage ratio (ICR) is healthy and stood at 2.85 times in FY 2019 (Prov.) as against 1.83 times in FY2018. The debt service coverage ratio (DSCR) also stood comfortable at 1.07 times in FY2019 (Prov.) as against of 1.83 times in FY2018. The net cash accruals against total debt (NCA/TD) stand comfortable at 0.22 times in FY2019 (Prov.) as compared to 0.26 times in the previous year.

- **Moderate working capital management**

The company's working capital operations are moderate marked by Gross Current Assets (GCA) of 136 days in FY2019 (Prov.) compared to 240 days in FY2018. The GCA days are dominated by high inventory days of 81 in FY2019 (Prov.) as compared to 47 days in previous year. The inventory stands high mainly on account of

inherent nature of coal industry. The debtor days of the company stood comfortable at 31 days in FY2019 (Prov.) as compared to 145 days in previous year.

Weaknesses

- **Susceptibility of margins to volatility in raw material prices and foreign exchange fluctuation risk**

The company's margins are susceptible to volatility in raw material prices and foreign exchange fluctuation risk. The key raw material required is coal, which is highly susceptible to raw material prices. The company imports a portion of raw materials from South Africa and Indonesia. Adverse changes in prices may affect the profitability of the company.

Rating Sensitivity

- Scaling up of operations.
- Sustenance of healthy operating profit margin at around 14-15 per cent

Material Covenant

None

Liquidity Position: Adequate

The group has adequate liquidity marked by healthy net cash accruals of Rs. 8.62 crore as against Rs. 7.74 crore of yearly debt obligation. The cash accruals of the group are estimated to remain in the range of around Rs. 20.90 crore to Rs. 30.98 crore during 2020-22 against repayment obligations ranging from Rs. 7.74 crore. The working capital of the group is moderately managed marked by gross current asset days of 136 in FY2019 (Prov.). Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in coal trading business. The outlook may be revised to 'Positive' if there is a substantial and sustained increase in the group's revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	139.23	43.09	55.12
EBITDA	Rs. Cr.	14.18	3.51	14.61
PAT	Rs. Cr.	2.83	0.22	0.72
EBITDA Margin	(%)	10.18	8.15	26.51
PAT Margin	(%)	2.03	0.50	1.31
ROCE	(%)	8.49	7.10	16.11
Total Debt/Tangible Net Worth	Times	0.65	2.48	2.98
PBDIT/Interest	Times	2.85	1.83	1.94
Total Debt/PBDIT	Times	2.70	5.18	5.64
Gross Current Assets (Days)	Days	136	240	170

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Group and Parent Support - <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.23	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	29.27	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

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