

Press Release

Transdamodar Mining Private Limited

January 13, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 101.00 Cr.
Long Term Rating	ACUITE BBB (CE) (Assigned)
Short Term Rating	ACUITE A3+ (CE) (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB (CE)**' (read as **ACUITE triple B (Credit Enhancement)**) and reaffirmed the short term rating of '**ACUITE A3+ (CE)**' (read as **ACUITE A three plus (Credit Enhancement)**) to Rs. 101 crores bank facilities of Transdamodar Mining Private Limited (TMPL).

Transdamodar Mining Private Limited (TMPL) was incorporated in 2016 by Ambey Mining Private Limited and Godavari Commodities Limited (rated at ACUITE A-/Stable/A2+), who are holding 51 per cent and 49 per cent of shares respectively. The company was appointed as Mine Developer and Operator (MDO), for 1 coal block for a period of 27 years to produce 1 MTPA of coal, by Durgapur Projects Limited (DPL), which is a Government of West Bengal undertaking. The company is engaged in excavation and delivery of coal including Over Burden removal, extraction, crushing of coal and transportation of coal from mine face (s) to pit head coal stock and eventually to delivery point and loading of coal onto the railway wagons at assigned delivery point.

Standalone (Unsupported) Rating

ACUITE BB-/A4+

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of TMPL to arrive at the rating.

Key Rating Drivers

Strengths

• Locational advantage

The coal mine is situated near to the DPL site, which is just 12 km away thereby providing easy and low transportation cost. Additionally, it has multiple advantages like good network of road, skilled & unskilled labour availability, power availability etc. Moreover, the company had an experience of working in the same location. The promoters of Godavari commodities Limited and Ambey Group has also promoted Trans Damoder Coal Mining Private Limited in 2006 for excavation and extraction of coal in the Trans Damoder Coal Mining Block for West Bengal Mineral Development and Trading Corporation Limited. Acuité believes that going forward the company will capitalize the locational advantage to enhance profitability.

• Experienced management

The promoter companies, Ambey Mining Private Limited and Godavari Commodities Limited are well established in the coal mining sector and have healthy financials. The management of the parent companies have extensive experience; Godavari Commodities Limited has track record of over two decades in the said line of business and Ambey group has been involved in the area of coal mining, loading and transportation for over three decades. Ambey Mining Private Limited and Godavari Commodities Limited promoted a Joint Venture (JV), Gangaramachak Mining Private Limited (rated at ACUITE BBB/Stable/ACUITE A3+) in 2016, to work as mine developer and operator for two coal blocks in

West Bengal namely Barjore Coal Block and Gangaramchak & Gangaramchak Bhadulia Blocks (GGBB). Acuite believes that the long track record of operations of the promoter companies will benefit the company going forward resulting in steady growth in the scale of operations.

Weakness

• High Regulatory risk in the mining sector

The mining environment in India has been highly uncertain with respect to issues like illegal mining and risk attached to mining activities of its client due to sudden change in government policies. Therefore any major regulatory changes may impact the business operations of the company.

• Risk of delay in project execution

The business is susceptible to financial losses arising out of delay in project execution or lower mining of coal, as there exists a penalty clause for delay/lower mining in contract execution.

Rating Sensitivity

- Delay in project execution
- Working capital management

Material Covenant

None

Liquidity Profile

TMPL has adequate liquidity marked by negative net cash accruals with no long term debt obligations as on 31st March 2019. The negative cash accruals are due to the fact that the operations of the company are yet to commence. Acuite expects the net cash accrual of TMPL will be negative in FY 2019-20 also as the operation of the company will commence from April, 2020 and the company has to significantly spend on dewatering and overburden removal to extract coal. Going forward, the liquidity is expected to improve on account of stabilisation of operations. However, Acuite derives comfort from the healthy liquidity of both the promoter entities.

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <http://acuite.in/view-rating-criteria-8.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB (CE) (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A3+ (CE) (Assigned)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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