

Press Release

Transdamodar Mining Private Limited

March 31, 2021



Rating Upgraded

Total Bank Facilities Rated*	Rs.110.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Upgraded)
Short Term Rating	ACUITE A2 (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating from '**ACUITE BBB**' (read as ACUITE triple B) to '**ACUITE BBB+**' (read as ACUITE triple B plus) and the short term rating from '**ACUITE A3+**' (read as ACUITE A three plus) to '**ACUITE A2**' (read as ACUITE A two) on the Rs.110 Cr bank facilities of Transdamodar Mining Private Limited (TMPL). The outlook is '**Stable**'.

The rating revision primarily factors in the commencement of operations in February 2021 and the improvement expected in their business risk profile. Further, the rating is supported by the experienced management of the promoter companies Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Negative/A2+), the support derived from the financial flexibility of AMPL and GCL as well as the locational advantage of TMPL. These strengths are, however, partly offset by the stretched standalone liquidity position due to high pre-operational expenses.

About the company

Incorporated in 2016, Transdamodar Mining Private Limited (TMPL) was promoted by Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL), who are holding 51 per cent and 49 per cent of shares respectively. The company has been appointed as the Mine Developer and Operator (MDO), for 1 coal block for a period of 27 years to produce 1 MTPA of coal of Transdamodar Coal Mine at Barjora, Bankura District, West Bengal, by Durgapur Projects Limited (DPL), which is a Government of West Bengal undertaking. The company is engaged in excavation and delivery of coal including overburden 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.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of TMPL to arrive at the rating. However, Acuité has taken into account the strong parentage of the entity by way of shareholding held by AMPL and GCL along with an unconditional and irrevocable guarantee extended to TMPL in proportion to their stake. The analytical approach has also been revised from a Credit Enhancement (CE) to a standalone rating with a notch up based on support from the key stakeholders.

Key Rating Drivers

Strengths

- **Experienced management and financial flexibility**

The promoter companies, Ambey Mining Private Limited and Godavari Commodities Limited are well established in the coal mining sector. The management of the sponsor 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 has also promoted another Joint Venture (JV), Gangaramchak Mining Private Limited (rated at ACUITE BBB+/Stable/ACUITE A2) in 2016, to work as mine developer and operator for the Barjore coal block for a period of 3 years and Gangaramchak & Gangaramchak Bhaduria blocks for a period of 10 years, by West Bengal Power Development Corporation Limited (WBDCL), which is a Government of West Bengal undertaking.

Acuité believes that the long track records of the sponsor companies in the coal sector will benefit TMPL going forward resulting in a steady growth in its scale of operations. Further, the rating is also supported by the healthy

financial flexibility of the promoter companies. Both AMPL and GCL have extended an unconditional and irrevocable guarantee to the rated bank facilities in proportion of their shareholdings

- **Revenue visibility on account of long term coal mining service agreement**

Transdamodar Mining Private Limited has signed a coal mining service agreement with Durgapur Projects Limited, which is a subsidiary of the state owned West Bengal Power Development Corporation Limited (WBPDCL). As per the agreement, TMPL has started to function as a Mine Developer and Operator for 1 coal block of Transdamodar Coal Mine at Barjora, Bankura District, West Bengal. TMPL has a target to produce 1 MTPA of coal on a sustainable basis, during the contract period of 27 years. The company has commenced mining activity in February, 2021 and has produced coal of approx. 57,843 tonne, till 15th March 2021. Acuité believes that the long term agreement ensures revenue visibility of the company over the medium to long term.

- **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 sponsors, Godavari Commodities Limited and Ambey Group has also promoted Transdamodar Coal Mining Private Limited in 2006 for excavation and extraction of coal in the Transdamodar Coal Mining Block for West Bengal Mineral Development and Trading Corporation Limited. Acuité believes that the company will capitalize on the locational advantage to enhance its profitability.

Weakness

- **Nascent Stage of operations**

The company is in nascent stage of operations as the commercial production of coal commenced from February, 2021. Timely stabilization of operations and ramp up in revenue and operating profitability in the initial stage of operations will remain a key credit monitorable.

- **High Regulatory risk in the mining sector**

The mining environment in India has witnessed uncertainties due to issues like illegal mining and risk from sudden change in government policies. Therefore any major regulatory changes may impact the business operations of the company.

Rating Sensitivity

- Stabilization of operations
- Deterioration in liquidity position

Material Covenant

None

Liquidity Profile: Adequate

The company's standalone liquidity position is stretched marked by negative net cash accruals with no long term debt obligations as on 31st March 2020. Acuité expects the net cash accrual of TMPL will be negative in FY 2020-21 as the operation of the company commenced from February, 2021 and the company has to significantly invest in mining activities. The cash and bank balances of the company stood at Rs.0.65 Cr as on March 31, 2020 as compared to Rs.0.10 Cr as on March 31, 2019. However, the company has neither availed loan moratorium nor applied for additional Covid loan. The fund based limit remains unutilised upto January, 2021. Going forward, the liquidity is expected to improve on account of stabilisation of operations. Acuité also derives significant comfort from the healthy liquidity position of both the sponsor companies.

Outlook: Stable

Acuité believes that the outlook on TMPL will remain 'Stable' over the medium term on account of the ponsors' experience in the coal mining sector, revenue visibility from the long term service contract and the locational advantage. The outlook may be revised to 'Positive' in case the company witnesses an improvement in financial risk profile while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any significant deterioration of its leverage and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	0.20	-
PAT	Rs. Cr.	(6.53)	(1.63)
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	(5.60)	(1.92)
PBDIT/Interest	Times	0.01	(8.27)

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
13-Jan-2020	Cash Credit	Long term	1.00	ACUITE BBB (CE) /Stable (Assigned)
	Bank Guarantee	Short Term	100.00	ACUITE A3+ (CE) (Assigned)

*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	10.00	ACUITE BBB+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2 (Upgraded)

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About Acuité Ratings & Research

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