

Press Release

Transdamodar Mining Private Limited

May 27, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	100.00	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	110.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE A-**' (read as ACUITE A minus) from 'ACUITE BBB+' (read as ACUITE triple B plus) and the short-term rating to '**ACUITE A2+**' (read as ACUITE A two plus) from '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 upgrade is on account of overall improvement in the business risk profile of the company marked by substantial increase in the turnover and absolute profitability levels thus translating into higher cash accruals, which is backed by increasing production capacity led by steep demand in the power sector due to coal crisis. The rating also draws comfort from the improved gearing supported by stabilization of operations and strong parentage. These strengths are partially offset by working capital intensive management and susceptibility to risks of heightened regulations and inherent cyclicity in the mining industry.

About the Company

Transdamodar Mining Private Limited (TMPL) was incorporated in 2016 by Ambey Mining Private Limited (AMPL) (rated at CARE A+/Stable/A1) and Godavari Commodities Limited (GCL) (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 at Barjora for a period of 27 years to produce 1 MTPA of coal, by The Durgapur Projects Limited (DPL) (rated at ACUITE BBB+/Stable/A2), 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.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of TMPL to arrive at the rating. However, Acuite 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 rating has been notched up

based on support from the key stakeholders and its strategic importance as an MDO of a captive mine of DPL.

Key Rating Drivers

Strengths

Strong Parentage

The promoter companies, Ambey Mining Private Limited (AMPL) (rated at CARE A+/Stable/A1) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Stable/A2+) are well established in the coal mining sector and have strong liquidity positions. The management of the co-promoter 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 (GMPL) (rated at ACUITE BBB+/Stable/ACUITE A2) 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). Acuité 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. Acuité also draws comfort from the unconditional, continuing and irrevocable guarantee from both AMPL and GCL, and an unconditional undertaking by both for securing principal and interest obligations on the company's entire debt.

Steady improvement in the Business Profile

The company has achieved revenues of Rs. 19.37 Cr in FY2021 which further increased to Rs ~96.34 Cr till March 2022(Provisional) on account of stabilization of operations. Over Burden Removal (OBR) was consistently high throughout the year with large strips of OB excavated, despite Covid imposed slowdown. The company maintained a consistent growth trajectory in OBR throughout FY21, which further increased in FY22. TMPL has excavated 0.64 Million Cubic Metres (M.Cu.M) of OB during FY21 which improved to 2.43 M.Cu.M in FY22. This has actually increased the coal production in FY22 to 0.53 MTPA from 0.07 MTPA in FY21. The management of TMPL intends to increase the production capacity to 1MTPA, to keep up with the increasing appetite of coal. Acuité believes that the increasing OBR will facilitate faster production of coal in future and hence a positive revenue growth expected would aid the business risk profile going forward.

Over the past 15 months, there has been good ramp-up in operations and stabilisation in OBR, which led to improvement in the production capacity. This has helped the company achieve positive EBITDA in FY2021, which further improved in FY22. The PAT margins also improved to 13.94 per cent in FY2021 and remained at 12.10 per cent in FY22 (Prov). The Return on Capital Employed (ROCE) of the company continued to be strong at 23.09 per cent in FY2022 (Prov) and is expected to remain comfortable in the near term.

Average financial risk profile

The company's above average financial risk profile is marked by healthy networth base, comfortable gearing and moderate debt protection metrics. The adjusted tangible net worth of the company improved to Rs.63.56 Cr as on March 31, 2021 and further to Rs.75.15 Cr as on March 31, 2022 (Prov) from the negative networth base of the previous years on account of ploughing back of profits and funds infused by promoters. The promoters have infused funds in the form of interest bearing unsecured loans, subordinated to bank loans, to support its working capital requirement. Acuité has considered unsecured loans to the tune of Rs.70.00 Cr as on March 31, 2021 as part of networth as these loans are subordinated to bank debt. Gearing of the company stood comfortable below unity at 0.22 times as on March 31, 2022 (Prov) as compared to 0.18 times as on March 31, 2021. The Total outside Liabilities/Tangible

Net Worth (TOL/TNW) stood at 0.52 times as on March 31, 2022 (Prov) as against 0.29 times as on March 31, 2021. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.36 times and Debt Service Coverage Ratio at 1.36 times as on March 31, 2021. The surge in earnings in FY2022 supported by adjusted debt levels and high accruals led to further improvement in the credit metrics as both Interest Coverage Ratio Debt Service Coverage Ratio improved to 2.52 times as on March 31, 2022(Prov). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.24 times as on March 31, 2021 and 0.70 times as on March 31, 2022 (Prov). Acuité believes that TMPL's financial profile has strengthened further in FY2022 and the same is likely to sustain going forward, supported by healthy internal accrual generation and no major increase in the company's debt levels in absence of any major debt funded capex plans.

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 Damodar 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.

Weaknesses

Working capital intensive nature of operation

The working capital intensive management of the company is marked by Gross Current Assets (GCA) of 729 days in 31st March 2021 which has improved to below 300 days in FY22. The high level of GCA days is on account of high level of current assets due to significant amount of margin money and stretched receivables. The debtor period stood high at 308 days as on 31st March 2021, but the receivable cycle decreased in FY22. The only debtor of the company is The Durgapur Projects Limited (DPL) which is a state government entity and TMPL is the MDO of the captive mine owned by the DPL. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from the inherently high debtor period and the company's exposure to counterparty credit risk associated with DPL, given its weak financial risk profile. However, comfort can be drawn from the power purchase agreement (PPA) between WBSEDCL and DPL.

Rating Sensitivities

- Change in capital structure
- Increase in production capacity
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

TMPL's liquidity is adequate marked by steady net cash accruals of Rs.11.66 Cr as on March 31, 2022 (Prov) as against no long term debt repayment over the same period. The current ratio stood comfortable at 6.53 times as on March 31, 2021 and also remained at comfortable levels in FY22. Moreover, the average utilisation of the fund-based limits stood moderate at ~48 per cent during the last 6 months ended March 2022. However, the cash and bank balances of the trust stood at Rs.1.04 Cr in FY2021. Also the working capital management of the company is high marked by Gross Current Assets (GCA) of 729 days in 31st March 2021. Acuité believes that TMPL being a JV between AMPL and GCL will enjoy strong financial flexibility due to its access to timely need-based support from its parent, also going forward the company will maintain adequate liquidity position due to steady accruals.

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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	19.37	0.20
PAT	Rs. Cr.	2.70	(6.53)
PAT Margin	(%)	13.94	(3261.97)
Total Debt/Tangible Net Worth	Times	0.18	(5.60)
PBDIT/Interest	Times	1.36	0.01

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>
- 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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2021	Bank Guarantee	Short Term	100.00	ACUITE A2 (Upgraded from ACUITE A3+ (CE))
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB(CE) Stable)
13 Jan 2020	Bank Guarantee	Short Term	100.00	ACUITE A3+(CE) (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB(CE) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A2+ Upgraded
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Upgraded

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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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