



Press Release
Transdamodar Mining Private Limited
August 22, 2023
Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	55.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	55.00	-	-

Rating Rationale

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Acuite has reaffirmed its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) and its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.55 Cr. bank facilities of Transdamodar Mining Private Limited (TMPL). The outlook is '**Stable**'.

Furthermore, Acuite has **withdrawn** its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.55 Cr. bank facilities of Transdamodar Mining Private Limited (TMPL). The rating has been withdrawn on account of the request received from the company and NOC received from the banker on Acuite's policy of withdrawal of ratings.

Rating Reaffirmation

The rating reaffirmation takes into account the strong parental support from its parent Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Stable/A2+) in the form of unsecured loans for smooth running of operations. Furthermore, AMPL and GCL has also extended unconditional and irrevocable guarantee to TMPL in proportion to their stake. The rating also factors in improvement in revenue from operations to Rs.121.70 Cr. in FY2023(Provisional) compared to Rs. 96.34 Cr. in FY2022 on account of increase in production capacity driven supported by healthy demand in the power sector & steel sector during the period. The operating profit margin of the company improved to 18.00 percent in FY2023 (Provisional) as against 17.12 per cent in FY2022 majorly led by process optimization and reduction in operational expenses.

The rating also draws comfort from factors healthy financial position, characterized by a moderate net worth base and low gearing. The debt protection metrices remain moderate for FY2023(Provisional). However, these strengths are partially offset by intensive working capital management reflected by high Gross Current Asset (GCA) days on account of stretched receivables. The rating is further constrained by the vulnerability to heightened regulations and the inherent cyclicity within the mining sector.

About the Company

Transdamodar Mining Private Limited (TMPL) was incorporated in 2016 by Ambey Mining Private Limited (AMPL) 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 2 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.

Standalone (Unsupported) Rating

ACUITE BB+/Stable

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 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 Parental support**

The promoter entities, Ambey Mining Private Limited (AMPL) and Godavari (rated at ACUITE A/Stable/A1), the leading entities, Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated at ACUITE A/Stable/A1), boast strong foundations in the coal mining sector and maintain robust liquidity positions. The co-promoter companies' management possesses extensive expertise; Godavari Commodities Limited Press Release TRANSDAMODAR MINING PRIVATE LIMITED Rating Reaffirmed demonstrates a track record spanning over two decades in this specific line of business, while the Ambey group has been deeply involved in coal mining, loading, and transportation for more than three decades. In 2016, Ambey Mining Private Limited and Godavari Commodities Limited also facilitated the establishment of another Joint Venture (JV) known as Gangaramchak Mining Private Limited (GMPL) (rated at ACUITE A-/Stable/ACUITE A2+). GMPL was established to operate as a mine developer and operator for two coal blocks in West Bengal, namely Barjore Coal Block and Gangaramchak & Gangaramchak Bhadulia Blocks (GGBB). Acuité holds the belief that the substantial operational track record of these promoter companies will continue to contribute positively to the company's growth, leading to consistent expansion in operational scale. Additionally, Acuité derives assurance from the unconditional, ongoing, and irrevocable guarantee provided by both AMPL and GCL, along with their unconditional commitment to securing the company's entire debt, including principal and interest obligations.

- **Improvement in scale of operations and Locational advantage**

In FY2023 (Provisional), the company achieved revenues of Rs. 110.94 Cr, a significant improvement from Rs. 96.34 Cr until March 2022 due to operational stabilization. Throughout the year, Over Burden Removal (OBR) remained consistently high, involving extensive excavation of OB strips. The company maintained a steady growth trajectory in OBR during FY2022, which was further amplified in FY 2023. During FY 2023, TMPL excavated 3.62 Million Cubic Metres (M.Cu.M) of OB, a rise from 2.43 M.Cu.M in FY 2022. Consequently, coal production for FY 2023 increased to 0.55 MTPA from the previous 0.53 MTPA in FY 2022. The management of TMPL intends to increase the production capacity to 2 MTPA, to keep up with the increasing appetite of coal. Acuité believes that the ongoing increase in OBR will contribute to accelerated coal production in the future, thus leading to positive revenue growth that would enhance the business's risk profile moving forward.

Furthermore, the profitability of the company improved reflected by operating profit margin of

18.00 percent in FY2023 (Provisional) as against 17.12 percent in FY2022. process optimization and reduction in operational expenses. On the other hand, the company reported net profitability margin of 7.32 per cent in FY2023(Provisional) as compared to 9.49 per cent in FY2022. Acuité believes the profitability margin of the company will be improved at healthy levels over the medium term.

The coal mine is conveniently located near the DPL site, just 12 km away, resulting in cost-effective and easy transportation. Furthermore, it boasts several benefits such as a well-connected road network, availability of skilled and unskilled labor, and a stable power supply. Additionally, the company has prior experience operating in this same area. The promoters of Godavari Commodities Limited and Ambey Group also played a role in establishing Trans Damoder Coal Mining Private Limited back in 2006. This was done to excavate and extract coal from the Trans Damodar Coal Mining Block on behalf of the West Bengal Mineral Development and Trading Corporation Limited. Acuité is confident that in the future, the company will leverage its advantageous location to enhance its profitability.

• **Average financial risk profile**

The company's healthy financial risk profile is marked by healthy networth base, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company improved to Rs.86.16 Cr as on March 31, 2023(Provisional) as against Rs. 67.61 Cr as on March 31, 2022 on account of ploughing back of profits and funds infused by promoters. The promoters have infused funds in the form of unsecured loans, subordinated to bank loans, to support its working capital requirement. Acuité has considered unsecured loans to the tune of Rs.73.49 Cr as on March 31, 2023(Provisional) as part of networth as these loans are subordinated to bank debt. The gearing of the company stood comfortable below unity at 0.09 times as on March 31, 2023 (Provisional) as compared to 0.23 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.81 times as on March 31, 2023 as against 0.70 times as on March 31, 2022. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.75 times and Debt Service Coverage Ratio at 1.67 times as on March 31, 2023(Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 1.11 times as on March 31, 2023(Provisional) and 0.60 times as on March 31, 2022.

Acuité believes that TMPL's financial profile has strengthened further in FY2023 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.

Weaknesses

• **Working capital intensive nature of operation**

The operation of the company is working capital intensive by Gross Current Assets (GCA) of 427 days in FY 2023(Provisional) as compared to 307 days in FY2022. The high level of GCA days is on account of stretched receivables. The debtor period stood high at 301 days as on 31st March 2023(provisional) as compared to 206 days as on 31st March 2022. 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 healthy financial risk profile.

Rating Sensitivities

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

Material covenants

None

Liquidity Position

Adequate

The company has an adequate liquidity marked by steady net cash accruals of Rs.9.01 Cr as on March 31, 2023 (Provisional) as against no long term debt repayment over the same period. The current ratio stood comfortable at 2.08 times as on March 31, 2023(Provisional). Further, the cash and bank balances of the trust stood at Rs.8.01 Cr in FY2023(Provisional). Moreover, the average utilisation of the fund-based limits stood at ~50.19 per cent during the last six months ended June 2023. However, the working capital management of the company is marked by Gross Current Assets (GCA) of 427 days in FY 2023(Provisional) as compared to 307 days in FY2022. 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 sponsors' 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	121.70	96.34
PAT	Rs. Cr.	8.91	9.14
PAT Margin	(%)	7.32	9.49
Total Debt/Tangible Net Worth	Times	0.09	0.23
PBDIT/Interest	Times	1.75	2.09

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

Not Applicable

Any other information

Not Applicable

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

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
27 May 2022	Bank Guarantee	Short Term	100.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
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	1.00	ACUITE BBB(CE) Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A2+ Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Reaffirmed

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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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