

Press Release

Maharvir Coal Washeries Private Limited (MCWPL)

06 May, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 66.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Assigned)
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs.66.00 crore of bank facilities of Maharvir Coal Washeries Private Limited (MCWPL). The outlook is '**Stable**'.

Mahavir Coal Washeries Private limited (MCWPL) was incorporated in 2011 by Mr. Vinod Kumar Jain, Mr. Vishal Kumar Jain, Mr. Arvind Kumar Jain and Mr. Pramod Jain. MCWPL is a Chhattisgarh based company engaged in trading of coal including coal washery and logistic services. The company has two washeries in Baloda (Chhattisgarh) along with railway siding and another washery in Balmudi (Chhattisgarh) with an installed capacity of 95000 MTPA each. The company mainly procures coal through e-auction from South Eastern Coalfields Limited.

Analytical Approach:

Acuite has considered standalone business and financial risk profile of MCWPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

The directors of the company Mr. Vinod Kumar Jain, Mr. Vishal Kumar Jain, Mr. Arvind Kumar Jain and Mr. Pramod Jain have experience of more than a decade in the business of coal washeries through other group companies. The long-standing experience of the directors has helped the company to establish comfortable relationship with their customers such as Adani Power Maharashtra Limited, Birla Corporation Limited, JK Lakshmi Cement Ltd, Hindalco Industries Limited among others as well as suppliers such as South Eastern Coalfields Limited, MP Power Generating Company Limited among others.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood healthy at Rs.85.39 crore in FY2019 as compared to Rs.54.25 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit and infusion of fresh equity of Rs.1.12 crore in FY2019. The gearing of the company stood comfortable at 0.32 times as on March 31, 2019 when compared to 0.71 times as on March 31, 2018. The total debt of Rs.27.05 crore in FY2019 consists of long-term debt of Rs.16.74 crore, short term debt of Rs.10.27 crore and unsecured loan from promoters of Rs.0.04 crore as on 31st March 2019. Interest coverage ratio (ICR) stood at 12.12 times in FY2019 as against 7.37 times in FY2018. The debt service coverage ratio (DSCR) stood at 4.28 times in FY2019 as against of 2.80 times in FY2018. The net cash accrual against total debt (NCA/TD) stood at 1.02 times in FY 2019 as compared to 0.43 times in previous year. Acuite believes the financial risk profile of the company will be comfortable backed by increasing accruals and no major debt funded capex plan.

Healthy scale of operation and profitability margin

The scale of operation of MCWPL stood healthy at Rs.246.39 crore in FY2019 as compared to Rs.195.88 crore in the previous year. The company has also book Rs.166.65 crore till 31st Dec 2019 (Prov.).

The company's operating margins have increased to 16.17 per cent in FY019 as compared to 13.82 per cent in previous year on account of re-shuffling of business vertical by reducing trading activity and increasing beneficiation. The company has reported operating margins of around 16.87 per cent till 31st Dec 2019

(Prov.). The net profitability margin of the company has increased to 9.49 per cent in FY2019 as compared to 6.88 per cent in the previous year in line with improvement in their EBITDA margins. The net profitability of the company has further improved to around 10.18 per cent till 31st Dec 2019 (Prov.).

Logistical advantage

Cost and efficiency of logistical expenses play a key role in the coal beneficiation business. MCWPL has continuously invested and built their own logistical infrastructure for optimum utilization of available capacity. The company has 1 railway siding in Baloda used to transport coal to the coal washery. Having a railway siding is beneficial to the company as it provides an opportunity for delivery of coal in a time bound manner and save major cost of logistics thereby improving its operating margins. Further, the company also owns a large fleet of 150 trucks for coal transportation throughout the country.

Weaknesses

End user sector challenges

Coal washed, transported and traded by MCWPL find their end use by companies involved in power generation, cement manufacturing and steel and metal plants. The consumers that MCWPL caters to are also under high regulation from the government. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to significant reduction in energy consumption from power plants, putting the power plants under financial distress. Loss of supply linkages between the cement industry and coal availability has been a developing challenge in India over lack of infrastructure. Further, capital intensive steel and metal plants have been under low potential utilization and have been experiencing reduced productivity amidst a global competition and slowdown in domestic economic conditions. Any policy changes affecting the highly regulated coal industry or its end users will impact the financial risk profile of MCWPL. The ability of MCWPL to grow in such conditions and maintain its profitability will be key monitorable in the future.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.

Material Covenant

None

Liquidity Position: Strong

Acuite believes that the company has strong liquidity marked by healthy net cash accruals of Rs.27.64 crore as against Rs.6.26 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 30.01 crore to Rs. 36.73 crore during 2020-22 against Rs.6.26 crore repayment obligations. The gross current asset (GCA) days stood comfortable at 89 days in FY2019. The bank limit is 80 per cent utilized by the company for last six months ended 29th February 2020. The current ratio of the company stood at 1.41 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against long 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 and beneficiation. The outlook may be revised to 'Positive' if there is a substantial and significant increase in the company's revenues along with sustained 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 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	246.39	195.88
PAT	Rs. Cr.	23.38	13.47
PAT Margin	(%)	9.49	6.88
Total Debt/Tangible Net Worth	Times	0.32	0.71
PBDIT/Interest	Times	12.12	7.37

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-52.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.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)

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	7.50	ACUITE BBB+/Stable (Assigned)
Term Loan	Not Available	Not Applicable	July 2021	3.00	ACUITE BBB+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.30	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A2 (Assigned)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	19.20	ACUITE A2 (Assigned)

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About Acuité Ratings & Research:

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