

Press Release

Mahavir Coal Washeries Private Limited

November 16, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	2.52	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	3.52	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	53.00	-	ACUITE A2 Reaffirmed
Bank Loan Ratings	7.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	75.52	-	-
Total Withdrawn Quantum (Rs. Cr)	3.52	-	-

Rating Rationale

Acuite has reaffirmed & assigned the **long-term rating to 'ACUITE BBB+' (read as ACUITE triple B plus)** and the **short-term rating to 'ACUITE A2' (read as ACUITE A two)** to the Rs.75.52 Cr of bank facilities of Mahavir Coal Washeries Private Limited. The outlook is **'Stable'**.

Acuite has also withdrawn the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.3.52 crore bank facilities of Mahavir Coal Washeries Private Limited. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

Rationale for the rating

The rating continues to consider the established track record of operation and long-standing experience of the promoters in the business of coal washeries, healthy relationship with customers and strong execution and logistical advantages. The rating also factors the strong financial risk profile of the company. However, these strengths are partially offset by the working capital intensive nature of operation and end user sector challenge coupled with high entry barriers.

About the Company

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 and has a 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

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

Key Rating Drivers

Strengths

Long track record of operation and 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.

Significant improvement in scale of operation coupled with healthy profitability margin

The revenue of the company has significantly improved to Rs.211.13 crore in FY2022 as compared to Rs.127.13 crore in the previous year. This improvement is on account of an increase in capacity utilization of coal washeries during FY2022 as against of the previous year. Further, the revenue has also increased due to the better price realisation coupled with increase in unit sold during FY2022 over FY2021. The increase in the turnover levels have led to enhanced accruals which have further resulted in strengthening the overall business risk profile of the company. The company has also booked Rs.195.47 crore during H1FY2023 (Prov.) as compared to Rs.111.58 crore during the same period in the previous year. Going forward, Acuité believes that the revenue of the company will increase and remain healthy on account of steady demand from the domestic market and better price realization.

The operating profitability margin of the company has significantly increased to 15.51 per cent in FY2022 as compared to 4.55 per cent in FY2021. This significant improvement in operating profitability is on account of decrease in price of the coal during the period coupled with better price realisation due to the high demand from the domestic market. The operating profitability margin of the company stood at 13.45 per cent during H1FY2023 (Prov) as compared to 11.46 per cent during the same period in the previous year. Going forward, Acuité believes that the operating profitability margin of the company will sustain at a healthy level backed by steady demand and better price realisation. The net profitability margin of the company also stood healthy at 9.36 per cent in FY2022 as compared to 1.33 per cent in the previous year.

Strong financial risk profile-

The financial risk profile of the company is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the company stood healthy at Rs.122.48 crore in FY 2022 as compared to Rs 102.71 crore in FY2021. This improvement in networth is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.14 times as on March 31, 2022 when compared to 0.17 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and stood at 16.86 times in FY2022 as against 4.95 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood comfortable at 3.85 times in FY2022 as compared to 1.31 times in the previous year. The net cash accruals to

total debt (NCA/TD) stood strong at 1.46 times in FY2022 (Prov.) as compared to 0.33 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

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

Working capital intensive nature of operation

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 169 days in FY2022 as compared to 170 days in the previous year. This high GCA days is mainly on account of high debtor days of 109 days in FY2022 as compared to 134 days in FY2021. The inventory holding period of the company stood comfortable at 23 days in FY2022 and in FY2021 respectively. Further, this high GCA days is also on account of high other current assets as on 31st March 2022, which mainly consists of short term loans and advance to related parties and advance tax paid during the period. Going forward, Acuite believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

End user sector challenges and high entry barriers

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.

The coal beneficiation business in India is highly regulated and falls under the purview of Ministry of Coal, Government of India as well as Ministry of Environment, Forest and Climate Change, Government of India. Such high level of regulation from multiple government authorities creates entry barriers for new players. This provides an advantage to the existing players by keeping the competition low. With limited number of companies present in the coal washeries business, Acuite believes the existing players in the market will benefit from its established presence.

Rating Sensitivities

- Scaling up of operation while maintain the profitability margin
- Working capital management

Material covenants

None

Liquidity Position

Strong

The company has strong liquidity position marked by healthy net cash accruals of Rs.24.68 crore as against Rs.4.94 long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 41.48 crore to Rs. 45.92 crore during 2023-24 as against of Rs.3.59 crore in FY2023 and Rs.3.80 crore in FY2024 long term debt obligations respectively. The bank limit of the company has been only 25 percent utilized during the last six months ended in August 2022. Since last four months ended August 2022, the company has not utilized its short-term funds from bank. The current ratio of the company stood comfortable at 1.68 times in FY2022. The Gross Current Asset (GCA) days of the company stood high at 169 days in FY2022. Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against the nil long debt repayments over the medium term.

Outlook: Stable

Acuité believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in coal washing and logistic. The outlook may be revised to 'Positive' if the company continues to main this growth rate and sustains their profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or a further elongation in its working capital.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	211.13	127.13
PAT	Rs. Cr.	19.77	1.69
PAT Margin	(%)	9.36	1.33
Total Debt/Tangible Net Worth	Times	0.14	0.17
PBDIT/Interest	Times	16.86	4.95

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

Care Ratings, vide its Press Release dated Oct21,2021, had reaffirmed MCWPL to CARE B+/A4; INC.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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 Oct 2022	Cash Credit	Long Term	2.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	25.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Demand Loan	Long Term	0.81	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	7.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	14.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	13.98	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Demand Loan	Long Term	2.71	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
29 Jul 2021	Term Loan	Long Term	3.00	ACUITE BBB (Withdrawn)
	Working Capital Demand Loan	Long Term	0.81	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Short Term	19.20	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Cash Credit	Long Term	7.50	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	2.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	18.30	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Assigned)
	Working Capital Demand Loan	Long Term	2.71	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	13.98	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
06 May 2020	Cash Credit	Long Term	2.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Short Term	19.20	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	18.30	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A2 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.02	ACUITE BBB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	0.81	ACUITE BBB+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	2.71	ACUITE BBB+ Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.