



Press Release
MAHAVIR COAL WASHERIES PRIVATE LIMITED
September 29, 2023
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	15.52	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	73.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	60.00	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	165.52	-	-

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**) to the Rs.75.52 Cr of bank facilities of Mahavir Coal Washeries Private Limited.

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) and the short-term rating to '**ACUITE A2+**' (read as **ACUITE A two Plus**) to the Rs.90.00 Cr of bank facilities of Mahavir Coal Washeries Private Limited. The outlook is '**Stable**'.

Rationale for the Upgrade

The rating upgrade is on account of significant improvement in the business and financial risk profile of the company marked by increase in operating income, improving operating margins, healthy net-worth and low gearing. The revenue of the company improved to Rs. 470 Cr in FY2023 (Prov) as against Rs.211.13 Cr in FY2022. The improvement is on account of both improved volumes as well as realisations. The operating margins have also shown significant improvement in FY2023 (Prov) as it stood at 18.77 percent as against 15.51 percent in FY2022. Further, the company during the current year has added one more coal washery unit in Kanhaiband, Chhattisgarh having capacity of 2.50 million tonnes per annum which is expected to further improve company's scale of operations over the near to medium term. The rating continues to derive strength from the established track record of operation and long-standing experience of the promoters in the business of coal washeries, healthy relationship with customers and logistical advantages. However, these strengths are partially offset by the working capital moderately intensive nature of operations and end user sector challenges 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

MPA 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 Tirupati Minerals Private Limited, Maharashtra State Mining Corporation, JK Lakshmi Cement Ltd, Hindalco Industries Limited among others as well as suppliers such as South Eastern Coalfields Limited, MP Power Generating Company Limited, Sonadih Cement Plant and among others.

Augmentation in business risk profile

The revenue of the company has significantly improved to Rs.470.00 crore in FY2023 (Prov) as against Rs.211.13 crore in FY2022. This improvement is on account of both increase in volumes as well as realisations. The company has also booked revenue of Rs.150.21 crore till August 2023 and is estimated to generate a turnover of ~Rs.500 Cr for FY2024. Further, the company has orders of Rs.177.54 Cr in hand as of September 2023 which is to be executed in next 3 months which improves the revenue visibility in the near term. The orders received by the company are rotating in nature with new orders being added and delivered on a continuous basis.

The operating profitability margin of the company also improved to 18.77 percent in FY2023 (Prov) as against 15.51 per cent in FY2022. Also, the net profitability margin of the company stood at 12.96 per cent in FY2023 (Prov) as compared to 9.36 per cent in FY2022.

Going forward, Acuité believes that the operating income and profitability of the company will sustain at a healthy level backed by steady demand and better price realisation.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.183.39 crore as on 31 March 2023 (Prov) as against Rs.122.48 crore as on 31 March, 2022. The total debt of the company stood at Rs.10.33 crore as on March 31, 2023 (Prov) and includes Rs.7.01 crore of long-term debt, Rs.0.31 crore of short term debt, and Rs.3.01 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood low at 0.06 times as on 31 March, 2023 (Prov) as against 0.14 times as on 31 March, 2022. Interest Coverage Ratio stood at 37.63 times for FY2023 (Prov) as against 16.86 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 11.54 times in FY2023 (Prov) as against 3.85 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.69 times as on 31 March, 2023 (Prov) as against 0.59 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 6.45 times for FY2023 (Prov) as against 1.46 times for FY2022.

Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and absence of any major debt funded capex plan

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 had 1 private railway siding in Baloda used to transport coal. the company during the current year also added one more coal washery unit having capacity of 2.50 million tonnes per annum and a private railway siding in Kanhaiband, Chattisgarh. 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 and has around 200-300 trucks on hire for coal transportation

Weaknesses

Working capital moderately intensive nature of operation

The working capital management of the company is moderately intensive marked by GCA days of 118 days in FY2023 (Prov) as against 169 days in FY2022. The high GCA days is mainly driven by high debtor days. The debtor days stood at 70 days in FY2023 (Prov) as against 109 days in FY2022. The average credit period allowed to customers of 15 – 30 days. The creditor days stood at 105 days in FY2023 (Prov) as against 82 days in FY2022. The average credit period allowed by suppliers is 30-45 days. The inventory holding period of the company stood at 11 days in FY2023 (Prov) as against 23 days in FY2022.

Going forward, Acuité 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, Acuité believes the existing players in the market will benefit from its established presence.

Rating Sensitivities

- Scaling up of operation while maintain the profitability margin and capital structure.
- Elongation of Working capital cycle

All Covenants

Not Available

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.5.85- Rs.66.59 Crore from FY 2021- 2023 (Prov) against its maturing debt obligations in the range of Rs.3.01- Rs.4.94 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.61.10-65.93 crores against the maturing repayment obligations of around Rs.2.50-2.75 crore over the medium term. The working capital management of the company is moderately intensive marked by GCA days of 118 days in FY2023 (Prov) as against 169 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.12.87 crore as on March 31, 2023 (Prov). The current ratio stands at 1.68 times as on March 31, 2023 (Prov) as against 1.79 times as on March 31, 2022. The average consolidated fundbased bank limit utilization for the past 08 months ending May 2023 is ~50-60% of the sanctioned amount. The average consolidated BG utilization for past 08 months ending May 2023 is ~70 percent of the sanctioned amount.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations 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' incase of higher than expected improvement in revenue and profitability margins while maintaining the capital structure.. Conversely, the outlook may be revised to 'Negative' in case of decline in scale of operations, profitability margins, or a further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	470.00	211.13
PAT	Rs. Cr.	60.92	19.77
PAT Margin	(%)	12.96	9.36
Total Debt/Tangible Net Worth	Times	0.06	0.14
PBDIT/Interest	Times	37.63	16.86

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

Not Available

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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
16 Nov 2022	Bank Guarantee	Short Term	14.00	ACUITE A2 (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.81	ACUITE BBB+ (Withdrawn)
	Proposed Bank Facility	Long Term	3.50	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	14.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A2 (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.71	ACUITE BBB+ (Withdrawn)
	Proposed Long Term Loan	Long Term	0.02	ACUITE BBB+ Stable (Assigned)
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)
		Short		

	Bank Guarantee	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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	39.00	ACUITE A2+ Upgraded
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A2+ Upgraded
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	47.00	ACUITE A2+ Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A2+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- Stable Upgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A- Stable Upgraded
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A- Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.52	ACUITE A- Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A- Stable Assigned

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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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