

Press Release
MAHAVIR COAL WASHERIES PRIVATE LIMITED
December 02, 2024
Rating Assigned and Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|-------------------------|
| Bank Loan Ratings | 15.00 | ACUITE A- Stable Assigned | - |
| Bank Loan Ratings | 32.52 | ACUITE A- Stable Reaffirmed | - |
| Bank Loan Ratings | 133.00 | - | ACUITE A2+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 180.52 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs. 165.52 Cr. bank facilities of Mahavir Coal Washeries Private Limited (MCWPL). The outlook is '**Stable**'.

Further, Acuite has assigned long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on Rs. 15.00 Cr. bank facilities of Mahavir Coal Washeries Private Limited (MCWPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation continues to reflect MCWPL's 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. The rating also continues to factor in the healthy financial risk profile of MCWPL marked by healthy networth, low gearing and moderate debt protection metrics. The networth stood at Rs.232.86 Cr. as of March 31,2024. However, MCWPL recorded moderation in its operating income, which declined in FY2024 to Rs. 381.03 Cr. from Rs. 469.75 Cr. in FY2023. The revenue in FY2024 declined due to lower price realizations although volumes increased, which helped the company to increase its operating profit margin to 20.97% in FY2024 from 17.12% in FY2023. The rating remains constrained on account intensive nature of working capital operations.

Going ahead, the ability of the company to improve its scale of operations and profitability margins while maintaining an efficient working capital cycle along with a healthy financial risk profile will be a key monitorable.

About the Company

Mahavir Coal Washeries Private Limited was incorporated in 2007. It is registered in Nagpur. The company is engaged in beneficiation, trading and transportation of coal for various powerhouses, cement companies and others. The major consumers are power sector, steel sector, cement sector, etc. The company is having two washeries at Bhelai (Balodaa) and one at Belmudi and a private railway siding at Kanhaiband, Naila Janjgir district Chhattisgarh. Mr. Vinod Kumar Jain, Mr. Vishal Kumar Jain, Mr. Vikash Jain, Mr. Arvind Kumar Jain are directors of the company.

Unsupported Rating

Not Applicable

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.

Revenue and Profitability

The revenue of the company has significantly stood at Rs. 381.03 Cr. in FY2024 as against Rs.469.75 Cr. in FY2023. The revenue in FY2024 declined due to lower price realizations. The company has utilized ~85% of its total installed capacity during FY2024 as against of ~84% capacity utilization in FY2023, mainly due to high demand from the power sector during the period. The company has orders of Rs.149.48 Cr. in hand as of September 2024 which is to be executed in next 3 months which improves the revenue visibility in the near medium term. The orders received by the company are rotating in nature with new orders being added and delivered on a continuous basis. This demand will also lead the company to improve its price realisation, which further resultant to strengthen the overall business risk profile of the company.

The company has also booked Rs.227.88 Cr. till September 2024. Further, the company is targeting revenue of ~Rs.500 Cr. for FY2024 with the coal prices being stable. The company majorly has geographical presence in Chhattisgarh, Orissa.

Going forward, Acuite believes that the revenue of the company will remain healthy on account of steady demand from the domestic market and better price realization.

Healthy Financial Risk Profile

The financial risk profile of the company stood healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.232.86 Cr. as on 31 March 2024 as against Rs.177.79 Cr. as on 31 March, 2023. The total debt of the company for FY2024 stood at Rs.54.35 Cr. includes Rs.17.58 Cr. of long-term debt, Rs.30.68 Cr. of short term debt, and Rs.6.09 Cr. of CPLTD as on 31 March, 2024. The gearing (debt-equity) stood low at 0.23 times as on 31 March, 2024 as against 0.06 times as on 31 March, 2023. DSCR and ICR moderated, however, remained healthy at 7.44 times and 13.96 times in FY2024 as compared to 10.58 times and 34.19 times in FY2023. The decline in DSCR and ICR is on account of increase in finance cost from 2.40 Cr. in FY2023 to 6.24 Cr. in FY2024 due to increase in debt levels. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.72 times as on 31 March, 2024 as against 0.68 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 1.15 times for FY2024 as against 5.90 times for FY2023.

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. Now, the company has one more coal washery unit and a private railway siding in Kanhaiband which is also based out of Chhattisgarh, having capacity of 2.50 million tonnes per annum. Having 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 throughout the country.

Weaknesses

Working Capital Intensive Nature of Operations

The operations of the company are of a working capital-intensive nature, marked by gross current asset (GCA) days

of 214 days for FY2024 as against 110 days for FY2023. The elevated GCA days is primarily on account of high other current assets. The inventory holding period of the company stood at 27 days in FY2024 as against 07 days in FY2023. However, the average utilization of the fund-based limits stood high at 88%, and non-fund-based facilities of the company remained moderate at 66% in the last six months ending in September 2024.

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 operations while maintain the profitability margin and capital structure.
- Elongation of Working capital cycle

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs. 62.61 Cr. in FY2024 against its maturing debt obligations of Rs.3.01 Cr. in the same period. The company is expected to generate net cash accruals in the range of Rs. 80.00 Cr - Rs. 90.00 Cr. during the period FY 25 - FY26 against repayment obligations ranging between Rs. 5.00 Cr - Rs. 6.00 Cr. for the same period. The company maintains unencumbered cash and bank balances of Rs.19.31 Cr. as on March 31, 2024. The current ratio stands at 1.62 times as on March 31, 2024, as against 1.42 times as on March 31, 2023. The average consolidated fund-based bank limit utilization is ~88 % and non-fund-based facilities of the company remained moderate at 67% in last six months ended September 2024.

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

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 381.03 | 469.75 |
| PAT | Rs. Cr. | 55.07 | 55.31 |
| PAT Margin | (%) | 14.45 | 11.78 |
| Total Debt/Tangible Net Worth | Times | 0.23 | 0.06 |
| PBDIT/Interest | Times | 13.96 | 34.19 |

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. 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 |
|-------------|------------------------------------|------------|-----------------|--|
| 29 Sep 2023 | Cash Credit | Long Term | 2.00 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 10.00 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 15.00 | ACUITE A- Stable (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 2.00 | ACUITE A- Stable (Assigned) |
| | Cash Credit | Long Term | 3.00 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Proposed Long Term Bank Facility | Long Term | 0.52 | ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable) |
| | Bank Guarantee (BLR) | Short Term | 21.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Bank Guarantee (BLR) | Short Term | 39.00 | ACUITE A2+ (Upgraded from ACUITE A2) |
| | Bank Guarantee (BLR) | Short Term | 26.00 | ACUITE A2+ (Assigned) |
| | Bank Guarantee (BLR) | Short Term | 47.00 | ACUITE A2+ (Assigned) |
| 16 Nov 2022 | Bank Guarantee (BLR) | Short Term | 25.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 14.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 14.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 7.00 | ACUITE A2 (Assigned) |
| | Cash Credit | Long Term | 7.50 | ACUITE BBB+ Stable (Reaffirmed) |
| | Cash Credit | Long Term | 2.50 | ACUITE BBB+ Stable (Assigned) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB+ Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 3.50 | ACUITE BBB+ Stable (Reaffirmed) |
| | Proposed Long Term Loan | Long Term | 0.02 | ACUITE BBB+ Stable (Assigned) |
| | Working Capital Demand Loan (WCDL) | Long Term | 0.81 | ACUITE BBB+ (Reaffirmed & Withdrawn) |
| | Working Capital Demand Loan (WCDL) | Long Term | 2.71 | ACUITE BBB+ (Reaffirmed & Withdrawn) |
| 27 Oct 2022 | Bank Guarantee (BLR) | Short Term | 25.00 | ACUITE A2 (Upgraded from ACUITE A3+) |
| | Bank Guarantee (BLR) | Short Term | 14.00 | ACUITE A2 (Upgraded from ACUITE A3+) |
| | Cash Credit | Long Term | 7.50 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| | Working Capital Demand Loan (WCDL) | Long Term | 0.81 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| | Working Capital Demand Loan (WCDL) | Long Term | 2.71 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| | Proposed Long Term Bank Facility | Long Term | 13.98 | ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable) |
| | Proposed Short Term Bank Facility | Short Term | 19.20 | ACUITE A3+ (Downgraded & Withdrawn from ACUITE A2) |

| | | | | |
|-------------|------------------------------------|------------|-------|---|
| 29 Jul 2021 | Bank Guarantee (BLR) | Short Term | 25.00 | ACUITE A3+ (Assigned) |
| | Bank Guarantee (BLR) | Short Term | 14.00 | ACUITE A3+ (Downgraded from ACUITE A2) |
| | Bank Guarantee (BLR) | Short Term | 18.30 | ACUITE A3+ (Downgraded & Withdrawn from ACUITE A2) |
| | Term Loan | Long Term | 3.00 | ACUITE BBB (Downgraded & Withdrawn from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 7.50 | ACUITE BBB (Downgraded & Withdrawn from ACUITE BBB+ Stable) |
| | Working Capital Demand Loan (WCDL) | Long Term | 0.81 | ACUITE BBB Stable (Assigned) |
| | Working Capital Demand Loan (WCDL) | Long Term | 2.71 | ACUITE BBB Stable (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 13.98 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 2.00 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 7.50 | ACUITE BBB Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---------------------------------|
| ICICI Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 21.00 | Simple | ACUITE A2+ Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 65.00 | Simple | ACUITE A2+ Reaffirmed |
| Yes Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 47.00 | Simple | ACUITE A2+ Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 25.00 | Simple | ACUITE A- Stable Reaffirmed |
| ICICI Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.00 | Simple | ACUITE A- Stable Reaffirmed |
| Yes Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 3.00 | Simple | ACUITE A- Stable Reaffirmed |
| HDFC Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 1.00 | Simple | ACUITE A- Stable Assigned |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.29 | Simple | ACUITE A- Stable Reaffirmed |
| HDFC Bank Ltd | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Jul 2030 | 0.23 | Simple | ACUITE A- Stable Reaffirmed |
| HDFC Bank Ltd | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 31 Jul 2030 | 14.00 | Simple | ACUITE A- Stable Assigned |

Contacts

| | |
|---|---|
| Mohit Jain Senior Vice President-Rating Operations | Contact details exclusively for investors and lenders |
| Anuja Bele Associate Analyst-Rating Operations | Mob: +91 8591310146 Email ID: analyticsupport@acuite.in |

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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.