

## Press Release

### Mahavir Energy And Coal Beneficitation Limited (MECBL)

June 18, 2021

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/Stable (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB+**' (**read as ACUITE double B Plus**) to the Rs.8.00 crore of bank facilities of Mahavir Energy & Coal Beneficitation Limited. The outlook is '**Stable**'.

The rating of MECBL is driven by the experienced management and presence of PPA for its entire capacity. The rating also reflects the comfortable financial risk profile of the company and an adequate liquidity position. However, these strengths are partially offset by the working capital intensive nature of operation and moderate profitability margin during the period.

Chhattisgarh based, Mahavir Energy & Coal Beneficitation Limited was established in the year 2009 by Mr. Pramod Kumar Jain and Mr. Ankit Jain. The company is engaged in generating bio-mass power and set up a power plant of 12MW in Raigarh, Chhattisgarh. The company has a power purchase agreement (PPA) with Chhattisgarh State Power Distribution Company Limited (CSPDCL) for 20 years for sale of entire 12 MW power.

#### **Analytical Approach:**

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

#### **Key Rating Drivers:**

##### **Strengths**

##### **Established track record of operation and experienced management**

The company has operational track record of more than a decade in renewable electricity industry and the directors of the company Mr. Pramod Kumar Jain and Mr. Ankit Jain have almost a decade of experience in similar industry. The company has a long presence in this sector and has established a healthy relationship with its customer as well as suppliers. Acuité believes that the long track record of operation will benefit the company going forward, resulting in steady growth in the scale of operations.

##### **Assured off-take**

MECBL has signed a power purchase agreement (PPA) with Chhattisgarh State Power Distribution Company Limited (CSPDCL) for the entire 12MW capacity for 20 years till 2031 at a current tariff rate of Rs.6.76 per unit (KWH). This substantially mitigates any off-take risk associated with the project. Further, the PPA is also secured by liquidity damage agreement in favor of MECBL.

##### **Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.40.68 crore in FY2021 (Prov.) as compared to Rs 39.14 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.23 times as on March 31, 2021 (Prov.) when compared to 0.12 times as on March 31, 2020. Interest coverage ratio (ICR) stood at 7.10 times in FY2021 (Prov.) as against 4.80 times in FY 2020. The debt service coverage ratio (DSCR) of the company stood at 6.00 times in FY2021 (Prov.) as compared to 4.49 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.25 times in FY2021 (Prov.) as compared to 0.27 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy backed by steady accruals and no major debt funded capex plan over the medium term.

## Weaknesses

### Working capital intensive nature of operation

The working capital intensive nature of operation is marked by high gross current asset (GCA) days of 314 days in FY2021 (Prov.) as compared to 565 days in the previous year. The overall improvement in GCA days is on account of improvement in debtor days to 86 days in FY2021 (Prov.) as compared to 187 days in the previous year. The inventory holding period of the company stood comfortable at 11 days in FY2021 (Prov.) as compared to 21 days in FY2020. The high GCA days emanates from the high other current asset of Rs.26.57 crore in FY2021 (Prov.) mainly consists of advance given for raw material. The company has utilized ~98 per cent of its working capital facility for the last six months ended April 2021. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

### Moderate profitability margin

The operating profitability margin of the company has improved in FY2021 (Prov.) and stood moderate at 6.99 per cent as compared to 6.44 per cent in the previous year. This improvement in operating profitability margin is on account of decrease in cost of their key raw material, rice husk during the period. Acuité believes the profitability margin of the company will sustain at a moderate level backed by presence of the PPA agreement with CSPDCL.

The net profitability margin of the company stood comfortable at 3.26 per cent in FY2021 (Prov.) as compared to 1.95 per cent in the previous year.

### Exposure to regulatory risk

The company is exposed to regulatory risk as it is associated with the State Electricity Board. Any revision of tariff as contemplated by a few State Governments in the recent past would be key rating sensitivity factor.

### Rating Sensitivity

- Sustenance in turnover growth and profitability margin
- Sustenance of their conservative capital structure
- Elongation of working capital cycle

### Material Covenant

None

### Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.2.32 crore as against nil long term debt obligations in FY2021 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 2.39 crore to Rs. 2.52 crore during 2022-23 as against Rs. 0.29 crore of long term debt obligations FY2022 and in FY2023 respectively. The current ratio of the company stood strong at 4.03 times in FY2021 (Prov.). The working capital management intensive nature of the company is marked by high Gross Current Asset (GCA) days of 314 days in FY2021 (Prov.). The bank limit of the company has been ~98 percent utilized during the last six months ended in April 2021. Moreover, the company has availed the covid emergency fund of Rs. 0.88 crore. The said loan is to be repaid over a period of 4 years including 1 year of moratorium. However, the company has not availed the loan moratorium till August 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

### Outlook: Stable

Acuité believes that the outlook on MECBL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or improvement of current operating margins. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	47.18	28.24
PAT	Rs. Cr.	1.54	0.55
PAT Margin	(%)	3.26	1.95
Total Debt/Tangible Net Worth	Times	0.23	0.12
PBDIT/Interest	Times	7.10	4.80

### 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>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.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 (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+/Stable (Assigned)
Working Capital Term Loan - GECL	June 2020	7.50%	June 2024	0.60	ACUITE BB+/Stable (Assigned)
Cash Credit	Note Applicable	Note Applicable	Note Applicable	1.50	ACUITE BB+/Stable (Assigned)
Working Capital Term Loan - GECL	July 2020	7.70%	July 2024	0.28	ACUITE BB+/Stable (Assigned)
Proposed Long Term Facility	Note Applicable	Note Applicable	Note Applicable	0.62	ACUITE BB+/Stable (Assigned)

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