



Press Release

Mahavir Energy And Coal Benefication Limited September 06, 2022

Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.78	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.50	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	8.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.50	-	-
Total Withdrawn Quantum (Rs. Cr)	1.78	-	-

Rating Rationale

Acuite has reaffirmed and assigned the long term rating of 'ACUITE BB+' (read as ACUITE double B Plus) to the Rs.10.50 crore of bank facilities of Mahavir Energy & Coal Benefication Limited. The outlook is 'Stable'

Acuite has also reaffirmed and withdrawn the long term rating of 'ACUITE BB+' (read as ACUITE double B Plus) to the Rs.1.78 crore of bank facilities of Mahavir Energy & Coal Benefication Limited.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.

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 along with moderate scale of operation. However, these strengths are partially offset by the working capital intensive nature of operation, stretched liquidity position and moderate profitability margin during the period.

About the Company

Chhattisgarh based, Mahavir Energy & Coal Benefication 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

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

Key Rating Drivers

Strengths

Long track record of operation and experienced management-

The company has operational track record of more than a decade in power generation business and the directors of the company Mr. Pramod Kumar Jain and Mr. Ankit Jain have almost a decade of experienced in similar industry. The company has a long presence in this sector and has established a healthy relationship with Chhattisgarh State Power Distribution Company.

Assured off-take

MECBL has signed PPA with Chhattisgarh State Power Distribution Company for the entire capacity for 20 years till 2031 at a current tariff rate of Rs.7.01 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 favour of MECBL.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.40.71 crore in FY 2022 (Prov.) as compared to Rs. 39.84 crore in FY2021. This slight improvement in networth is on account of retention of profit during FY2022 (Prov.) The gearing of the company stood low at 0.25 times as on March 31, 2022 (Prov.) when compared to 0.27 times as on March 31, 2021. Interest coverage ratio (ICR) of the company stood healthy at 4.40 times in FY2022 (Prov.) as against 4.43 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood healthy at 3.88 times in FY2022 (Prov.) as compared to 3.56 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.20 times in FY2022 (Prov.) as compared to 0.14 times in FY2021. Going forward, Acuité believes the financial risk profile of the company will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Moderate scale of operation coupled with moderate profitability margin

The revenue of the company stood stagnant at Rs.52.14 crore in FY2022 (Prov.) as compared to Rs.51.85 crore in the previous year. This slight increase in revenue is on account of increase in the price per unit along with increase in unit selling during FY2022 over FY2021. Going forward, Acuité believes that the revenue of the company will increase backed by continuous revision in the unit price of power by the state DISCOM's.

The operating profitability margin of the company has improved and stood moderate at 4.16 per cent in FY2022 (Prov.) as compared to 2.95 per cent in the previous year. This improvement in the operating profitability is mainly due to decrease in raw materials price during the period. The net profit margin of the company stood comfortable at 2.03 per cent in FY2022 (Prov.) as compared to 1.35 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.

Working capital intensive nature of operation

The working capital management of the company is marked by high GCA days of 467 days in FY2022 (Prov.) as compared to 433 days in FY2021. The collection period of the company stood high at 365 days in FY2022 (Prov.) as compared to 294 days in the previous year. The inventory holding of period of the company is comfortable at 50 days in FY2022 (Prov.) as compared to 25 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

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

Material covenants

None

Liquidity Position **Stretched**

The company has stretched liquidity position marked by low net cash accruals of Rs.2.00 crore in FY2022 (Prov.) as against of Rs.1.52 crore in the previous year. The cash accruals of the company are estimated to remain in the range of around Rs. 2.11 crore to Rs. 2.23 crore during 2023-24 as against of Rs.0.50 crore in FY23 and in FY24 of long term debt obligations. The Gross Current Asset (GCA) days of the company stood high at 467 days in FY2022 (Prov.). The bank limit of the company has been ~91 percent utilized during the last six months ended in July 2022. The current ratio of the company stood comfortable at 1.98 times in FY2022 (Prov.). Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	52.14	51.85
PAT	Rs. Cr.	1.06	0.70
PAT Margin	(%)	2.03	1.35
Total Debt/Tangible Net Worth	Times	0.25	0.27
PBDIT/Interest	Times	4.40	4.43

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Jun 2021	Working Capital Term Loan	Long Term	0.28	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	0.60	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.62	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.49	ACUITE BB+ Stable Reaffirmed
UCO Bank	Not Applicable	Working Capital Term Loan	30-06-2020	7.50	30-06-2024	1.51	ACUITE BB+ Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Working Capital Term Loan	31-07-2020	7.70	31-07-2024	0.28	ACUITE BB+ Reaffirmed & Withdrawn

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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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