

Press Release

ALPS Mining Services



July 05, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.25.00 Cr bank facilities of Alps Mining Services (AMS). The outlook is '**Stable**'.

The rating on AMS takes cognizance of the firm's sound business risk profile marked by the long experience of the partners, reputed clientele and healthy profitability margins. The rating is also supported by the above average financial risk profile of the firm characterized by comfortable gearing and strong debt protection indicators. These strengths are, however, partially constrained by the working capital intensity in its operations, modest networth and end user's sectoral challenges.

About the firm

Established in 2016 and promoted by Mr. Naresh Poddar, Alps Mining Services (AMS) is a Chhattisgarh based partnership firm, engaged in trading and transportation of coal. AMS has two partners, Mr. Naresh Poddar who has 95 per cent stake in the firm and Mr. Amit Singhal who has 5 per cent stake. The firm has its customer base spread across Chhattisgarh, Odisha and Jharkhand. The firm mainly procures coal through e-auction from Coal India and its subsidiaries.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of AMS to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and reputed clientele**

AMS was promoted by Mr. Naresh Poddar who has experience of around a decade in coal trading business. Currently, the partnership firm is headed by two partners namely, Mr. Naresh Poddar and Mr. Amit Singhal who are also supported by a group of capable professionals. Prior to the partnership firm, the business was solely headed by Mr. Poddar through a proprietorship concern since 2012. The promoter was also engaged in cement trading and warehousing before stepping into coal business. Long experience of the partners has enabled AMS to develop strong relationship with reputed customers such as TATA Steel Long Product Ltd. (subsidiary of Tata Steel), JSW Steel, Heidelberg Cement India Ltd., ACC Cement only to name a few. Acuité believes the rich experience of the promoters and healthy relations with customers and suppliers will help the company to improve the scale of operations going forward.

- Comfortable business risk profile**

The firm has achieved revenues of Rs.182.64 Cr in FY2021 (prov.) as compared to revenues of Rs.176.67 Cr in FY2020, thereby registering a y-o-y growth of 3.38 per cent in FY2021, thus amounting to a 3-year CAGR of 49.09 per cent from FY19-21. The growth in revenue is primarily on account of continuous order flow and high demand from end user industry like iron and steel, power cement etc. AMS has an unexecuted order book position to the tune of about Rs.92 Cr as on 31st May, 2021 which will be executed in the next four months, thus providing moderate revenue visibility over the medium term.

The operating margin of the firm increased to 6.67 per cent in FY2021 (provisional) as compared to 5.93 per cent in the previous year. The PAT margins stood at 4.29 per cent in FY2021 (prov.) as against 3.77 per cent as on FY2019. The improvement in margins is due to lower reliability on imported coal in FY21 which is expensive.

The profitability margins of the firm have translated into healthy RoCE levels of 30.38 per cent in FY2021 (prov.) as against 61.17 per cent in FY2020. Acuité believes the firm will maintain a comfortable business risk profile with continuous growth in the scale over the medium term.

- **Above average financial risk profile**

The firm's above average financial risk profile is marked by modest networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the firm improved to Rs.38.56 Cr as on 31st March, 2021 (provisional) from Rs.17.02 Cr as on 31st March, 2020, due to capital infusion by the promoters. Acuité has treated unsecured loans of Rs.7.00 Cr as quasi equity as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the firm stood comfortable at 0.61 times as on 31st March, 2021 (prov.) as compared to 0.03 times as on 31st March, 2020. The gearing levels have increased in FY21 as the firm has availed short term funds from the bank. The debt of Rs.23.38 Cr in FY21 (prov.) comprises of short term debt of Rs.22.94 Cr, long term facilities from bank of Rs.0.30 Cr and current portion of long term debt repayment of Rs.0.14 Cr. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.06 times as on 31st March, 2021 (prov.) as against 2.37 times as on 31st March, 2020. The strong debt protection metrics of the firm is marked by Interest Coverage Ratio at 13.84 times and Debt Service coverage ratio at 10.03 times as on 31st March, 2021 (prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.34 times as on 31st March, 2021 (prov.). Acuité believes that going forward the financial risk profile of the firm will improve backed by steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 158 days in FY2021 (provisional) as compared to 117 days in FY2020. The high GCA days are primarily on account of high amount of loans and advances to suppliers and related parties. Further, the debtor period is also high at 71 days as on March 31, 2021 (prov.) as compared to 72 days as on March 31, 2020. However, the inventory period stood comfortable at 24 days as on 31st March, 2021 (prov.) same as the previous year. Going forward, Acuité believes that the working capital management of the firm will remain at a similar level as evident from the stretched collection mechanism and low inventory levels over the medium term.

- **Competition space and stressed end user industry**

Coal traded and transported by AMS find their end use by companies involved in power generation, manufacturing of cement, iron & steel. 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. Any policy changes affecting the highly regulated coal industry or its end users will impact the financial and business risk profile of AMS. As per the present Import policy, coal can be freely imported under the Open General License by the consumers themselves considering their needs based on their commercial prudence, thus enabling entry of many players into the sector and leading to intense competition in the sector.

Rating Sensitivity

- Improvement in the scale of operations while maintaining profitability margin
- Elongation in the working capital cycle

Material Covenant

None

Liquidity Profile: Adequate

The firm's liquidity position is adequate marked by net cash accruals of Rs.7.95 Cr in FY2021 (prov.) as against no long term debt repayment over the same period. The fund based limit remained utilised at 41 per cent over six months ended March, 2021. The current ratio stood comfortable at 1.94 times as on 31st March, 2021 (prov.) as compared to 1.42 times as on 31st March, 2020. The firm did not avail any Covid loan or loan moratorium. The cash and bank balances of the firm stood at Rs.0.28 Cr in FY2021 (prov.) as compared to Rs.0.97 Cr in FY2020. However, the firm's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 158 days in FY2021 (prov.) as compared to 117 days in FY2020. Acuité believes that going forward the liquidity position of the firm will improve due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on AMS will remain 'Stable' over the medium term on account of the

experience of the partners, sound business risk profile and above average financial risk profile. The outlook may be revised to 'Positive' in case the firm witnesses a material improvement in its scale of operations or expanding its networth base. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	182.64	176.67
PAT	Rs. Cr.	7.83	6.66
PAT Margin	(%)	4.29	3.77
Total Debt/Tangible Net Worth	Times	0.61	0.03
PBDIT/Interest	Times	13.84	6089.51

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- 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

<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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB/Stable (Assigned)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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