

Press Release

Vedanta Washery And Logistic Solutions Private Limited

April 12, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	10.50	ACUITE A Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	20.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **ACUITE A' (read as ACUITE A)** on the Rs 10.00 Cr bank facilities of Vedanta Washery and Logistic solutions Private Limited (Vedanta). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of **ACUITE A' (read as ACUITE A)** on the Rs 10.50 Cr bank facilities of Vedanta Washery and Logistic solutions Private Limited (Vedanta). The outlook is '**Stable**'.

About the Company

Vedanta Washery and Logistic Solutions Private Limited was incorporated in 2013 by RKTC group. The company has a railway siding at Raigarh, Chhattisgarh. The company provides various kinds of logistics services such as transportation of coal, handling of rakes among others.

About the Group

RKTC was incorporated by Chhattisgarh based Agarwal family in 2003. Prior to that, the company was operating as a partnership firm. The company has three business segments i.e. Transportation, Construction and coal trading. In FY21, the company had entered the sand mining business. Currently the company has presence in different states such as Chhattisgarh, Jharkhand, Bihar and Uttar Pradesh.

Omax Minerals Private Limited was incorporated in 2011 by RKTC group. The company also provides logistic services to reputed corporates.

Analytical Approach

Acuite has taken a consolidated view of Omax Minerals Private Limited (Omax), Vedanta Washery and solutions Private Limited (Vedanta) and R K Transport and Construction Limited (RKTC) as all the 3 companies are in the same line of business, share common

management and have strong operational and financial linkages. In addition, RKTC holds around 48 percent stake in omax. The group herein is referred to as RKTC Group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

Diversified business profile

The RKTC group has diversified business interest in various sectors such as construction, coal trading and logistic services. The group has a railway siding in Raigarh Chhattisgarh. The group provides various kinds of logistics services such as transportation, loading and unloading of coal etc. The group has sizeable fleet size of 578 commercial vehicles and construction equipments. In addition, the group executes various civil contracts issued by different state government agencies. In FY21, the group had entered into sand mining business and had bagged several contracts from different state government agencies of Bihar, Uttar Pradesh, Madhya Pradesh and Maharashtra. In addition, the group has strong customer base that includes PSUs and reputed corporates such as DVC, Central Coalfield Ltd, Mahandi Coalfield Ltd, Hindalco, Balco among others.

Healthy Order book and increase in scale of operation

The group has healthy order book of around Rs. 2800 Cr as on 31 January 2022 which provides strong revenue visibility over the medium term. Nearly 50 percent of orders belong to transportation and logistics segments which are issued by PSUs in coal and power sector; 46 percent of orders related to sand mining and balance orders belong to civil construction issued by various state government agencies. In FY21, the group had witnessed a significant improvement in order flow of Rs 2334 Cr as the group had bagged several tenders in sand mining business.

The group has witnessed a decline in scale of operation as consolidated revenue stood at Rs 485 Cr in FY21 as against Rs 599 Cr in FY20. The decline is due to fall in coal trading activity due to low economic activities because of pandemic outbreak. However the scale of operation is likely to witness significant improvement in the current fiscal as group has already posted revenue of Rs 750 Cr during 9MFY22(Provisional). This improvement is driven by increase in revenue from coal trading and sand mining divisions. Acuite believes the scale of operation will improve over medium term backed by healthy order book size.

Comfortable financial risk

The financial risk profile of the group is marked by healthy net worth, modest gearing ratio and strong debt protection metrics. The net worth of the group has improved to Rs 233.81 Cr in FY2021 from Rs.148 Cr in FY2020. Acuite has treated unsecured loans of Rs 36.71 Cr as part of networth as the amount is subordinated to bank debt. The gearing of the group stood at 1.01 times as on March 31, 2021 as compared to 1.06 times as on March 31, 2020. The group has high reliance on external debt because of continuous capex being undertaken to improve the fleet size. The long term debt stood at Rs 166 Cr in FY21 as against Rs 77 Cr in FY20. TOL/TNW stood at 1.66 times in FY21 as against 1.95 times in FY20. Interest coverage ratio (ICR) stood strong at 5.23 times in FY2021 as against 4.16 times in FY 2020. The improvement in coverage ratio is on account of rise in profit margin. The debt service coverage ratio (DSCR) at 2.04 times in FY2021 as against 2.81 times in FY2020. Acuite believes the financial risk profile of the group will remain comfortable over the medium term despite of debt funded capex plans due to healthy profit margin.

Substantial improvement in profitability margin

The group has witnessed significant improvement in profit margin as EBITDA margin stood at 19.74 percent in FY21 as against 10.01 percent in FY20. RoCE of the group also stood comfortable at 19.56 percent in FY21 as against 14.67 percent in FY20. The improvement is driven by increase in revenue contribution from logistic and transportation business where

profit margin is comparatively higher than other segments. In current year, the group has already posted EBITDA margin of 17 percent during 9MFY22(Unaudited). Acuité believes the profitability will remain at healthy level over medium term backed by strong order flow in transportation and sand mining divisions.

Weaknesses

Working capital intensive operations

The group has high working capital intensity as evident from its high gross current asset (GCA) days of 300 days in FY21 as against 173 days in the previous year. The high GCA days are due to high other current Assets of Rs. 263 crores as on March 31, 2021. The other current asset comprises of Rs 132 crores of security deposit, Rs 70 crores of loan advance among others. Debtor and Inventory days stood at 73 days and 28 days respectively in FY21. Acuité believes that the operations of the group will continue to be working capital intensive over the medium term.

Rating Sensitivities

- Continuous order flow in construction and transportation division
- Substantial improvement in scale of operation and financial risk profile

Material covenants

None

Liquidity profile: Adequate

The RKTC group has adequate liquidity profile as reflected from low utilization of working capital limits which stood at 33 percent during the last 6 months ended February 2022. In addition, group has healthy net cash accrual of Rs. 68 Cr during FY21 as against current maturity of around 47 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 112 Cr as against increased repayment obligations of around Rs. 54 Cr from FY23-FY24. Current ratio stood comfortable at 1.93 times during FY21. The working capital intensity of the business is high as reflected from GCA days of 300 days as on 31 March 2021. The group has high cash & bank balance of Rs 12.04 Cr as on 31.03.2021. Acuite believes the liquidity position of the group will remain adequate backed by steady cash accruals and efficient working capital management over the medium term.

Outlook: Stable

Acuite believes that RKTC group will benefit over the medium term from the promoters' vast experience in the transport business and comfortable financial risk profile. The outlook may be revised to 'Positive' if RKTC group sustains their revenue growth with substantial improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' if the group witnesses significant deterioration in financial risk profile or liquidity profile due to higher than expected debt led capex plan.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	485.09	599.63
PAT	Rs. Cr.	42.75	20.72
PAT Margin	(%)	8.81	3.46
Total Debt/Tangible Net Worth	Times	1.01	1.06
PBDIT/Interest	Times	5.23	4.16

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
31 Mar 2022	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A Stable Assigned

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About Acuité Ratings & Research

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