



Press Release

Vedanta Washery And Logistic Solutions Private Limited July 04, 2024 Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	79.00	ACUITE A Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	79.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs 79.00 Cr. bank facilities of Vedanta Washery and Logistic Solutions Private Limited (VWLSPL). The outlook is '**Stable**'.

Rationale for Rating

The rating reflects the group's stable business risk position marked by its diversified revenue profile and a healthy order book position buoyed by Government's continuous investment in infrastructure, expanding geographies and reputed clientele. Despite a decline in revenues as most of the orders have been completed and the price realization for coal has reduced however, the operating margins have shown improvement because of the coal washery implementation. The rating also takes into account above average financial risk profile marked by high networth base and moderated yet healthy debt protection metrics and strong liquidity position. However, the ratings are constrained by group's working capital intensive nature of operations.

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 four business segments i.e. Transportation, Construction, coal trading and sand mining business. Currently the company has presence in different states such as Chhattisgarh, Jharkhand, Bihar and Uttar Pradesh.

Chhattisgarh based Omax Minerals Private Limited was incorporated in 2011 by RKTC group. The company engaged in activities of Coal Trading. Also they provide logistic services to reputed corporates.

Unsupported Rating

Not Applicable

Analytical Approach**Extent of Consolidation**

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of Omax Minerals Private Limited (Omax), Vedanta Washery and solutions Private Limited (Vedanta) and R K Transport and Constructions 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.

Key Rating Drivers

Strengths

Experienced management

RKTC Group is a family-owned business engaged in the logistics and construction business since 1992. The promoters cum directors Mr. Amar Agrawal and Mr. Sushil Kumar Singhal have more than two decades of experience in the business. Their long-standing presence in the coal transportation business ensures repeat orders, and their track record in the timely execution of contracts also enables them to win repeat orders from their client base, thereby mitigating operational risk to a large extent.

The Group has a long track record of nearly three decades in the infrastructure, logistics, coal handling and allied industry. It is one of the leading infrastructure contractors of the region and expanded its activities, in and outside the state of Chhattisgarh. The group has an order book of Rs. 1,280.56 Cr. as on March 31, 2024 which provides its revenue visibility over the near to medium term. The group has also set up coal washery and is expected to set up railway siding to improve its operating efficiencies over the medium term. Acuite believes that the industry knowledge of the promoters and understanding of the business environment has led the Group to successfully diversify its business and establish healthy relationship with customers and suppliers.

Above Average financial risk profile

The group's financial risk profile is marked by strong adjusted networth, moderate adjusted gearing and healthy debt protection metrics. The adjusted tangible net worth of the group increased to Rs.457.25 Cr. as on March 31, 2024(Estd.) from Rs.414.02 Cr. as on March 31, 2023 due to accretion of reserves and unsecured loans being treated as quasi equity. Acuite has considered unsecured loans of Rs. 100 Cr. as on March 31, 2024(Estd.) which earlier was Rs. 30 Cr. as on March 31, 2023, as quasi equity, as the management has undertaken to maintain the amount in the business over the medium term. Adjusted Gearing of the group stood moderate at 0.75 times as on March 31, 2024(Estd.) as against 0.86 times as on March 31, 2023 and 1.02 times as on March 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.16 times as on March 31, 2024(Estd.) as compared to 1.46 times as on March 2023 and 1.96 times as on March 2022. The debt protection metrics of the group is moderated yet healthy by Interest Coverage Ratio at 3.61 times as on March 31, 2024(Estd.) as compared to 4.82 times as on March 31, 2023 and 5.63 times as on March 2022 and Debt Service Coverage Ratio at 1.46 times as on March 31, 2024(Estd.) as compared to 1.89 times as on March FY 23 and 1.88 times as on March 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on March 31, 2024 (Estd.) as compared to 0.31 times as on March 31, 2023 and 0.32 times as on March 2022. Acuite believes that going forward the financial risk profile of the group will remain healthy over the medium term, despite having debt funded capex plans.

Weaknesses

Intensive working capital management

The working capital cycle of the group is marked by high Gross Current Assets (GCA) of 194 days as on March 31, 2024(Estd.) as compared to 167 days as on March 31, 2023 and 173 days as on March 2022. The debtor days increased to 67 days as on March 31, 2024(Estd.) as compared to 56 days as on March 31 2023 and 37 days as on March 2022. Furthermore, the inventory days stood at 39 days in March 31, 2024(Estd.) as compared to 20 days as on March 31, 2023 and 13 days as on March 2022. The other current assets of Rs. 251.64 Cr. as on March 31, 2024(Estd.) constitutes largely of loans and advances, other deposits, advances from suppliers as compared to Rs. 303.32 crore as on March 2023. Acuite believes that the working capital operations of the group will remain almost at same level as evident from high other current assets over the medium term.

Declining revenues albeit improving margins

The revenue of the group declined to Rs.959.83 crore as on March, FY2024(Estd.) as compared to Rs.1192.21 crore in March, FY 2023 and Rs. 1088.12 crore as on March 2022. The reason for decline in revenues is that most of the orders of FY 21 and FY 22 have been completed and the new orders will take time for execution and also the price realizations for coal has reduced. Operating margin of the group has improved 17.64 percent in FY2024(Estd.) as compared to 14.19 percent in March, FY 2023 and 14.63 percent as on March 2022. The improvement is largely because of the implementation of the coal washery plant and better profitability in the last lag of a few completed work orders. Acuité believes that the declining revenues and improving margins would be a key monitorable.

Rating Sensitivities

- Improvement in revenue while sustaining operating profitability
- Elongation of working capital cycle
- Large debt funded capex plans
- Improvement in debt protection metrics

Liquidity Position Strong

The group's liquidity is strong marked by steady net cash accruals of Rs.108.72 Cr as on March 31, 2024(Estimated) as against long term debt repayment of Rs.59.48 Cr over the same period. The cash and bank balances of the group stood at Rs.9.97 Cr as on March 31, 2024(Estimated)as compared to Rs. 15.30 Cr as on March 31,2023. The current ratio stood at 1.54 times as on March 31, 2024(Estimated) and 1.57 times as on March 31,2023. The fund-based limit remains utilized at 33.05 per cent for 7 months ended May 2024. The group has also taken bill discounting and unsecured loans with Receivables Exchange of India Ltd (RXIL) of Rs. 55.17 Cr and Rs. 19.13 Cr respectively as on March 31, 2024(Estimated) which provides further financial flexibility.The promoters also have financial flexibility as reflected in infusion of unsecured loans which stood at Rs. 100 cr in FY 2024(Estimated). Acuité believes that going forward the group will maintain strong liquidity position due to healthy accruals with moderate current ratio, promoters flexibility to infuse funds.

Outlook: Stable

Acuité believes that the outlook on RKTC group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, debt protection metrics and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues and profit margins, or in case of deterioration in the group's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1192.21	1088.12
PAT	Rs. Cr.	56.23	68.09
PAT Margin	(%)	4.72	6.26
Total Debt/Tangible Net Worth	Times	0.93	1.21
PBDIT/Interest	Times	4.82	5.63

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
06 Apr 2023	Cash Credit	Long Term	49.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	20.50	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	9.50	ACUITE A Stable (Assigned)
12 Apr 2022	Cash Credit	Long Term	10.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE A Stable (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	49.00	ACUITE A Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	R K transport and Constructions Limited
2	Omax Minerals Private Limited
3	Vedanta Washery and Logistic Solutions Private Limited

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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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