



Press Release
BI MINING PRIVATE LIMITED
December 08, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	110.00	ACUITE BBB+ Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	40.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating to '**ACUITE A2**' (read as **ACUITE A two**) to the Rs.150.00 Cr bank facilities of BI Mining Private Limited (BMPL). The outlook has been revised from '**Stable**' to '**positive**'.

Rationale for rating reaffirmation and outlook revision:

The reaffirmation and revision in outlook takes into account improvement in operational performance and profitability during FY2023 and same being sustained during the first 6 months of FY2024. The company has reported revenue of Rs.3418.07 Cr as on March 31, 2023 implying a growth rate of ~21.47 percent against the previous year's. The operating margins ranged between 23.53- 29.57 percent for the last two years ended FY2023. The financial risk profile of Group continues to be healthy with healthy debt protection metrics and low gearing. The overall gearing of the Company stood at 0.34 times as on March 31, 2023, as against 0.45 times as on March 31, 2022. The interest coverage ratio stood at 11.33 times in FY2023 as against 5.36 times in FY2022. Significant improvement in liquidity position in FY2023 marked by healthy net cash accruals of Rs.873.56 Cr as against debt repayment of Rs 132.63 Cr. Further, the rating continues to derive strength from the experienced management with long-established track record of the group, established client relationship with presence of long-term contracts with strong counterparties, and presence of large fleet of heavy equipment with high entry barriers into industry and also draws comfort from the robust order book providing long-term revenue visibility.

However, the ratings remain constrained by working capital intensive nature of operation and susceptibility to risks related to heightened regulations in the mining industry

About Company

Incorporated in March 2016, BI Mining Private Limited (BMPL) is a Hyderabad, Telangana based company. The company is currently executing the entire work of overburden removal at Bina Open Cast Project (OCP) of Northern Coalfields Limited (NCL) subcontracted to them by BGR DECO Consortium Private Limited (BDCPL). Work execution is being carried out through leased and hired vehicles. The company is currently headed by Mr. Umapathy Reddy Bathina and Mr. Induru Sudhakara Reddy.

About the Group

Incorporated in 2011, BGR Mining & Infra Limited (BGRMIL) is a Hyderabad based company majorly engaged in two business segments – Contract Mining & Mine Development and

Operations (MDO). BGR (formerly, B Girijapathi Reddy & Co.) was set up in 1988 as a partnership firm by Mr. Girijapathy Reddy, Mr. Bathina Umapathy Reddy and Mr. I Sudhakara

Reddy. It was reconstituted as a private limited company in 2011. The company has a strong presence across multiple states with a fleet of over 1,200 HEMM (Heavy Earth Moving Machineries). The company is currently headed by Mr. B. Umapathy Reddy, Mr. I. Sudhakara Reddy and the second generation directors.

Incorporated in June, 2020, BGR Deco Consortium Private Limited (BDCPL) is a joint venture of BGR Mining & Infra Limited (BGRMIL) and Dhansar Engineering Company Private Limited (DECO), in the ratio 51:49 respectively. Initially, the JV was formed as association of persons (AOP) but on Mar, 2022, the AOP was taken over by Private Limited company with the same shareholding pattern. The company has bagged a large size tender from Northern Coalfields Limited and the same is subcontracted to BI Mining Private Limited (BMPL). The company is currently headed by Mr. Harsh Agarwalla from DECO and Mr. Induru Dheeraj from BGRMIL.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, ACUITE has consolidated the business and financial risk profiles of BGR Mining & Infra Limited (BGRMIL), BGR Deco Consortium Private Limited (BDCPL); BI Mining Pvt Ltd. This is because both the companies have the same common management, operational and financial linkages and corporate guarantees.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

The Group is engaged in coal excavation and transportation since over two decades now and was initially carrying out these activities for the subsidiaries of Coal India Limited. Over the years, the group has started catering to several other reputed companies also like Bharat Coking Coal Limited, West Bengal Power Development Corporation Limited (WBPDCL) (rated at ACUITE A-/Stable/A2+) only to name a few. The group is currently headed by founder directors Mr. B. Umapathy Reddy, Mr. I. Sudhakara Reddy and the second generation directors. Extensive experience of the promoters and operating track record of more than three decades in the industry has helped group in understanding the market dynamics & establishing strong relationship with suppliers and bagging large size tenders. Acuité believes the vast experience of the management will support the business, going forward.

- **Steady improvement in the business risk profile along with robust order book position**

The group has achieved revenues of Rs. 2813.85 Cr in FY2022 which further increased to Rs. 3418.07 Cr in FY2023 on account of stabilization of operations. Over Burden Removal (OBR) was consistently high throughout the year with large strips of OB excavated. The group maintained a consistent growth trajectory in OBR throughout FY2023, which further increased in the current year. Further, the group has already achieved revenues of Rs~1817.95 Cr till September 2023. Acuité believes that the increasing OBR will facilitate faster production of coal in future and hence a positive revenue growth expected would aid the business risk profile going forward. BGRMIL had a robust order book position of Rs. 54183.74 Cr. as on August 2023. The order book is diversified across two major verticals namely mining (0.72 percent), MDO (99.27 percent).

The group is focussing on MDO contracts which gains relatively better margins. This has helped the group achieve robust EBITDA since last two years ended FY2023. The EBITDA margin of the group improved to 29.57 percent from 23.53 per cent in FY2022. The PAT

margins also increased to 17.76 per cent in FY2023 as against 7.43 percent as on FY2022. PAT increased due to escalation charges amount which group had received in FY2023. The ROCE levels stood at a comfortable level of about 55.60 per cent in FY2023 as against 30.68 per cent in FY2022, even after maintaining large fleet of heavy vehicle

- **Long-term Contract; Low Offtake Risk; Escalation clause in contracts**

BGRMIL has entered into a long-term contract of 25 years as a mine developer-cum-operator (MDO) for the supply of coal to West Bengal Power Development Corporation Limited (WBPDC) (rated at ACUITE A-/Stable/A2+) from Pachhara open cast project in Pachhara North Coal Block in Jharkhand, leading to limited offtake risk for BGRMIL. Acuité assesses the offtake risks associated with the MDO business to be low, given the group enters into firm agreements with annual target supply. The agreement also protects BGRMIL from price volatility as the pricing formula to cover any cost escalation has been agreed upon. Additionally, coal demand is likely to continue to increase in the medium-to-long term. The major cost for the group for such services is the diesel cost for plying the equipment, thus exposing the group to volatility in diesel prices. While the diesel costs are pass-through in nature, there is generally a time-lag before the same can be built into the billing cycle. However, the group has received escalation charges for the work done at Pachhara North coal block over the past couple of years in the current year, which has in turn boosted the profitability levels in the current year. Further, the cost of labour which is another major cost has an escalation clause.

- **Healthy financial risk profile**

The group's financial risk profile is healthy, marked by a healthy net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.1579.35 Cr and Rs.943.32 Cr as on March 31, 2023 and 2022 respectively. The improvement in net worth is due to accretion of reserves. Gearing of the company stood at 0.34 times as on March 31, 2023 against 0.45 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 11.33 times and 3.17 times as on March 31, 2023 respectively as against 5.6 times and 1.59 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 0.64 times and 1.09 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 0.45 times as on March 31, 2023 as against 0.63 times as on March 31, 2022. Acuité believes that the group's financial profile has strengthened further in FY2023 and the same is likely to sustain going forward, supported by healthy internal accrual generation and no major increase in the group's debt levels even though the operation of the group is capital intensive in nature with continuous capex incurred for procuring heavy earthmoving equipment (like dumpers, excavators, bulldozers, etc.) and other mining equipment (like compactor, drillers, cranes, etc.) for replacement purpose.

Weaknesses

- **Working capital intensive nature of operation**

The group's working capital operations is intensive marked by high gross current Asset (GCA) at 166 days as on March 31, 2023 as against 118 days as on March 31, 2022. The GCA days are impacted mainly on account of debtor days. Inventory days stood at 8 days as on March 31, 2023 as against 13 days as on March 31, 2022. Debtor days stood at 71 days as on March 31, 2023 as against 36 days as on March 31, 2022. The increase in debtor days is due to higher billing in the month of March'23. Subsequently, the payable period stood at 41 days on March 31, 2023 as against 66 days as on March 31, 2022 respectively.

- **Susceptibility to risks related to heightened regulations in the mining industry**

Operational and regulatory risks in the mining industry have increased significantly in recent years. Regulatory actions have largely been to clamp down on illegal mining, and have included withholding of permits, and ban on export and mining. However, as BGR

group is majorly working for State and Central Government entities having long term contracts, the risk is moderated to a large extent.

Rating Sensitivities

- Elongation in working capital cycle
- Timely Realization of Receivables
- sustainability of improvement in the scale of operations and profitability

All Covenants

None

Liquidity Position: Strong

Group's liquidity is strong marked by robust net cash accruals to its maturing debt obligation. The company has generated cash accruals in the range of Rs.873.56 Cr in FY2023, while its maturing debt obligations were Rs. 132.32 Cr during the same period. Going forward the company is expected to generate net cash accruals of Rs. 803- 959 Cr in FY 2024-25 against Rs.125.21-148.88 Cr debt obligations. The current ratio stood at 2.03 times as on March 31, 2023, and the limits remains utilized at 47 percent for fund based and 58 percent for non-fund based over the 6 months ended September 30, 2023 for fund based. The company maintains unencumbered cash and bank balances of Rs.78.84 Cr as on March 31, 2023. Acuité believes that the liquidity of the company is likely to improve over the medium term

Outlook: Positive

Acuité believes that group will maintain a 'Positive' outlook benefiting from its improved operating performance and healthy financial risk profile. The rating may be upgraded on sustenance of its improved scale of operation while maintaining its profitability margins and timely realization of debtors. Conversely, the outlook may be revised to 'Stable' if the company's generates lower than expected improvement in its scale of operations or deterioration in its profitability levels or incase of elongation of its working capital cycle adversely impacting its liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	3418.07	2813.85
PAT	Rs. Cr.	613.74	208.96
PAT Margin	(%)	17.96	7.43
Total Debt/Tangible Net Worth	Times	0.34	0.45
PBDIT/Interest	Times	11.33	5.36

Key Financials: Standalone

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Operating Income	Rs. Cr	618.33	484.18
PAT	Rs. Cr	101.20	74.39
PAT Margin	(%)	16.37	15.36
Total Debt/Tangible Net Worth	Times	0.51	0.57
PBDIT/Interest	Times	12.91	6.20

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite 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
24 Mar 2023	Proposed Short Term Bank Facility	Short Term	40.00	ACUITE A2 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	110.00	ACUITE BBB+ Stable (Reaffirmed)
28 Feb 2023	Proposed Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Short Term	40.00	ACUITE A2 (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	60.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
20 May 2022	Proposed Bank Facility	Long Term	48.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	40.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE BBB+ Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2 Reaffirmed

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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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