



**Press Release**  
**SHAH COAL PRIVATE LIMITED**  
**December 07, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	125.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	200.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs 200.00 Cr. bank facilities of Shah Coal Private Limited (SCPL). The outlook is '**Stable**'.

**Rational for Rating Reaffirmation**

The ratings reaffirmation reflects group's healthy business profile supported by its strong diversified customer base which includes reputed corporates like Adani Power Limited, Ambuja Cement Limited, ACC Ltd, Hindalco Limited amongst others. Further, the rating takes into account the group's scale of operations which has improved to Rs.585 Cr in FY2023 as against Rs.479 Cr in FY2022 due to execution of orders, trading of coal. The rating also reflects the extensive experience of its promoter in the coal trading and transportation business which is also reflected through its large order book for the transportation business resulting in healthy and sustained revenue growth. The rating further considers the adequate liquidity profile of the group as reflected by the healthy accruals against its maturing debt obligations. These rating strengths are however, partially offset by the high working capital intensity, susceptibility of operating profit margin to volatility in fuel prices and intense competition in the industry and proclivity towards trading in risk assets.

**About Company**

Mumbai based Shah Coal Private Limited (SCPL) was incorporated in 1997, It trades in imported coal. It also provides logistics and consultancy services to its customers for domestic coal procurement. The company imports coal mainly from Indonesia, South Africa, USA and Australia and sells in the domestic market. The company is promoted by Mr. Vinay Shah and Mr. Ketan Shah, who have more than three decades of experience in the coal trading business. SCPL has a wholly owned subsidiary, Pan Asia Resources DMCC, based in Dubai, UAE and is engaged in trading of imported coal.

**About the Group**

Mumbai based Aarti Logistic Private Limited was Incorporated in 2002, ALPL is involved in coal logistics business and is promoted by Mr. Vinay Shah and Mr. Ketan Shah. It has operational linkages with its sister company, Shah Coal Private Limited (SCPL), which is involved in coal trading and logistics business.

**Unsupported Rating**

None

## Analytical Approach

## Extent of Consolidation

- Full Consolidation

## Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the financial and business risk profiles of Shah Coal Private Limited (SCPL), Aarti Logistics Private Limited (ALPL) and hereinafter referred to as Shah group on account of their common management, strong operational and financial linkages of the business segments and the nature of business to arrive at this rating.

## Key Rating Drivers

### Strengths

#### **Promoter's extensive experience in logistics industry; established track record of operations in importing and trading of coal**

Shah Group has been in the coal trading business since 1997, Mr. Vinay Shah and Mr. Ketan Shah, (promoters), look after the day-to-day operations of the group. Over the years the promoters have forayed into logistics business and provide transportation service from the coal fields to the customers location. Their presence of more than three decades of experience in the coal trading business has enabled the promoter to establish healthy relationships with its customers. The key customers of the group include reputed customer namely Adani Power Limited, Ambuja Cement Limited, ACC Ltd, Hindalco Limited amongst others. The group reported an operating income grew by ~22% to Rs.585 Crore in FY2023 from Rs.479 crore in FY2022. Further, the group has internal transportation and rake loading activities at various coal fields of Coal India Limited and has won tenders more than Rs.500 crore, which provides revenue visibility over the near to medium term. Also, till 15<sup>th</sup> October 2023, the group has generated Rs.211 Cr of revenue.

Acuité believes that Shah group will continue to derive benefits from the vast experience of its promoters and the established relationships with its key customers.

### Healthy Financial Risk Profile

The financial risk profile of the group stood healthy marked by healthy net worth, low gearing and strong debt protection metrics. The tangible net worth stood at Rs.209.11 crore as on 31 March 2023 as against Rs.197.38 crore as on 31 March, 2022. The total debt of the group for FY2023 stood at Rs.131.28 crore includes Rs.33.24 crore of long-term debt, Rs.57.00 crore of short term debt, Rs.16.32 crore of unsecured loans and Rs.24.72 crore of current maturities as on 31 March, 2023. The gearing (debt-equity) stood low at 0.63 times as on 31 March, 2023 as against 0.59 times as on 31 March, 2022. Interest Coverage Ratio stood at 3.92 times for FY2023 as against 6.02 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.24 times in FY2023 as against 2.21 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.19 times as on 31 March, 2023 as against 1.18 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.25 times for FY2023 as against 0.29 times for FY2022.

Acuite expects the financial risk profile to remain healthy over the medium term on account of healthy capital structure.

### Weaknesses

#### **Intensive Working Capital Management**

The working capital management of the group is intensive even though the GCA days have improved to 182 days in FY2023 as against 198 days in FY2022. The debtor days stood at 109 days in FY2023 as against 147 days in FY2022. The group extends a credit period of 30-45 days on an average for the transportation business revenues, while credit extended in trading segment is roughly in the range of 60 - 90 days, the company faces delays from time to time in realization of the receivables. The creditor days stood at 117 days in FY2023 as against 164 days in FY2022. The company utilizes Letter of credit for procurement of imported coal, the usance ranges between 90 to 120 days of sales. There is no inventory in the group. This is because, the group had changed its policy to not hold any inventory of coal for its trading operations and procuring coal on the basis of confirmed orders, thereby eliminating price risk. The company is also engaged into the trading of stock and index derivatives on domestic stock markets. Moreover, the foreign exchange risk associated with the import of coal is

managed by presence of hedging policies adopted by the company.

Acuite expects the operations of the company to remain working capital intensive over the medium term because of the nature of the industry.

### **High customer concentration risks**

Shah group's is exposed to high customer concentration, while the company enjoys a long standing relationship with its key customers Adani Power Limited, Ambuja Cement Limited, ACC Ltd, Hindalco Limited amongst others. Also, the company added new customers such as Karnataka Power Corporation Ltd, Parichha Thermal Power Project (UP Power), Anpara Thermal Power Plant (UP Power) & Rashtriya Ispat Nigam Limited (RINL). The company is engaged in the trading of imported coal and transportation business backed by the orders received. Any decline in offtake from its customers will have a huge impact on the company's sales volume.

Acuite believes that, however, the customer concentration is mitigated to some extent by the established relationship of the company with its customers since its inception.

### **Competitive and regulated industry**

Coal being a commodity has demonstrated significant volatility in its prices in the past. Imported coal prices are also governed by global demand-supply factors. The coal trading and transport industry is highly fragmented, with a large number of players, due to the low entry barriers. This has restricted the growth in the company's margins in these segments. Also, the industry is highly regulated, with the ministry of coal governing its operations in the country. Any adverse regulations would impact the operations of the company. Shah Coal group may face challenges if receivables exceed usance of letters of credit. Furthermore, the business risk profile remains exposed to fluctuations in coal prices and the regulatory policies of the government.

Acuite believes that any change in regulations and policies could have an adverse impact on the business risk profile of the group and expects the profitability position of the firm to remain modest over the medium term

### **Rating Sensitivities**

- Sustenance in revenue growth while maintaining profitability
- Any debt-funded capex plans affecting the capital structure
- Significant improvement in the working capital cycle

### **All Covenants**

Not Applicable

### **Liquidity Position**

#### **Adequate**

The Group's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The group has net cash accruals in the range of Rs.31.61-Rs.34.45 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.11.24-Rs.24.72 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.35.01-42.66 crores against the maturing repayment obligations of around Rs.10.27-22.74 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 182 days in FY2023 as against 198 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.4.24 crore as on March 31, 2023. The current ratio stands at 1.65 times as on March 31, 2023 as against 1.64 times as on March 31, 2022. The average bank limit utilization in SCPL for fund based for the past 09 months ending September 2023 is ~ 82 percent for all the banks and for Non fund based is around ~80 percent. The average bank Limit utilization in ALPL for fund based for the past 09 months ending September 2023 is ~85 percent.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual.

### **Outlook: Stable**

Acuite believes that Shah Group will maintain a 'Stable' outlook over the medium term on

account of long track, record of operations and established relations with its customers and suppliers. The outlook may be revised to 'Positive', in case of increasing repeat orders from well diversified customer base and improvement in realization per tonne leading to higher-thanexpected revenues and profitability leading to improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case Shah group witnesses any stretch in its working capital management or larger than expected debt- funded capital expenditure leading to deterioration of its financial risk profile particularly its liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	584.77	478.52
PAT	Rs. Cr.	11.73	18.01
PAT Margin	(%)	2.01	3.76
Total Debt/Tangible Net Worth	Times	0.63	0.59
PBDIT/Interest	Times	3.92	6.02

### 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>
- Covered Bonds: <https://www.acuite.in/view-rating-criteria-83.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Trading Entitie: <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, 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Sep 2022	Proposed Bank Facility	Long Term	18.67	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)
	Dropline Overdraft	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
	Dropline Overdraft	Long Term	38.00	ACUITE BBB   Stable (Assigned)
	Secured Overdraft	Long Term	8.33	ACUITE BBB   Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB   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
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+   Reaffirmed
Yes Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	43.00	ACUITE BBB   Stable   Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A3+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.67	ACUITE BBB   Stable   Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	8.33	ACUITE BBB   Stable   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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