



Press Release
SHAH COAL PRIVATE LIMITED
March 06, 2025
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB- Stable Downgraded	-
Bank Loan Ratings	135.00	-	ACUITE A3 Downgraded
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) from ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and short term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) from ‘**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**’.

Rationale for Rating

The rating downgrade factors in the significant decline in operating performance of the company wherein revenue declined by 28 per cent in FY2024 over FY2023, further it would continue to decline in FY2025. The rating factors in extensive experience of the promoters and moderate financial risk profile of the company. However, the rating is constrained on account of working capital intensive operations, high customer concentration risk and presence in competitive and regulated industry.

About the Company

Mumbai based Shah Coal Private Limited (SCPL) was incorporated in 1997. SCPL provides logistics solutions to its customers for domestic coal procurement. It also trades in imported coal. The company is promoted by Mr. Vinay Shah and Mr. Ketan Shah. 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 (ALPL) 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

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered consolidated financial and business risk profiles of Shah Coal Private Limited (SCPL) and

Pan Asia Resources DMCC which is a wholly owned subsidiary of SCPL. Further, Acuite has consolidated financial and business risk profile of Aarti Logistic Private Limited (ALPL) as well, 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

Extensive Experience of Promoters in the Industry

Shah Group has been in the coal trading business since 1997, Mr. Vinay Shah and Mr. Ketan Shah, (Promoters), looks after the day-to-day operations of the group. Over the years the promoters have forayed into logistics business and the 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 and logistics solutions has enabled the promoter to establish healthy relationships with its customers.

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

Moderate Financial Risk Profile

The financial risk profile of the group stood moderate marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.242.86 crore as on 31 March 2024 as against Rs.226.71 crore as on 31 March, 2023. The total debt of the group for FY2024 stood at Rs.122.14 crore includes Rs.25.12 crore of long-term debt, Rs.56.40 crore of short-term debt, Rs.17.15 crore of unsecured loans and Rs.23.47 crore of CPLTD as on 31 March, 2024. The gearing (debt-equity) stood low at 0.50 times as on 31 March, 2024 as against 0.58 times as on 31 March, 2023. Interest Coverage Ratio stood at 3.02 times for FY2024 as against 3.80 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.06 times in FY2024 as against 1.27 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.12 times as on 31 March, 2024 as against 1.11 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.22 times for FY2024 as against 0.27 times for FY2023. Acuite believes, the financial risk profile to remain moderate over the medium term on account of no major debt funded capex.

Weaknesses

Decline in operating performance of the company

The turnover of the group declined significantly and stood at Rs.480.61 crore in FY2024 as against Rs.671.40 crore showing a decline of 28.42 per cent. The decline is on account of reduced trading of imported coal in SCPL due to low realisations. Out of the total revenue generated by the group in FY2024, SCPL generated a revenue of Rs.446.93 crore (Rs.144.41 crore are from Pan Asia) and remaining Rs.35.98 crore are generated from ALPL. Further, the decline continued with Shah group reporting the revenue of Rs.148.47 crore for 10MFY2025, wherein the group is targeting to close the year in the range of Rs.170 crore – Rs.180 crore. The operating margins of the group improved marginally and stood at 7.55 per cent in FY2024 as against 6.99 per cent in FY2023. The margins are expected to improve in near to medium terms as the company has reduced low margin imported coal trading business. However, the PAT margins of the company declined on account of high interest and depreciation cost and stood at 1.28 per cent in FY2024 as against 2.01 per cent in FY2023.

Acuite believes, the operating scale and profitability of the company would remain subdued over the medium term owing to reduction on coal trading business.

High customer concentration risks

While the company enjoys a long standing relationship with its key customers, Shah group is exposed to high customer concentration risk. 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 providing logistics solutions backed by the orders received, thus any decline in offtake from its customers will have a huge impact on the company's sales volume.

Acuite believes that, power corporations would contribute majority of the groups revenue in the medium to long term, thereby exposing the group to customer concentration risk.

Working Capital Intensive Operations

The operations of the group remained working capital intensive marked by GCA of 252 days in FY2024 as against 149 days in FY2023. The debtor days stood at 108 days in FY2024 as against 77 days in FY2023. The creditor days stood at 107 days in FY2024 as against 55 days in FY2023. There is very less inventory in the group, which is because, the group had changed its policy to not hold high inventory of coal for its trading operations and

procuring coal based on confirmed order only, thereby eliminating price risk. The fund-based limits utilisation 6 months stood at 85 per cent and non-fund bases stands at 72 per cent ended February 2025.

Acuite expects the operations of the company to remain working capital intensive over the medium term on the back of exposure to power corporations which are expected to further elongate the working cycle of the group.

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 usage 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 and profitability
- Deterioration in financial risk profile owing to debt funded capex
- Deterioration in working capital cycle

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 of Rs.26.85 crore as against its maturing debt obligations of Rs.24.73 crore in FY2024. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.20 to 23 crore against the maturing repayment obligations of around Rs.13.00 crore over the medium term. The company is going to prepay the term loans by FY2026 through sales proceeds of high maintenance trucks. The company maintains cash and bank balances of Rs.13.70 crore as on March 31, 2024. The current ratio stands at 1.78 times as on March 31, 2024, as against 1.73 times as on March 31, 2023. The average bank limit utilization for fund-based facilities for the past 06 months ending February 2025 is ~ 85 percent and for non-fund based is around ~72 percent.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	480.61	671.40
PAT	Rs. Cr.	6.13	13.46
PAT Margin	(%)	1.28	2.01
Total Debt/Tangible Net Worth	Times	0.50	0.58
PBDIT/Interest	Times	3.02	3.80

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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>
- 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. Acuité'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
07 Dec 2023	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	8.33	ACUITE BBB Stable (Reaffirmed)
	Dropline Overdraft	Long Term	43.00	ACUITE BBB Stable (Reaffirmed)
	Dropline Overdraft	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	13.67	ACUITE BBB Stable (Reaffirmed)
12 Sep 2022	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Secured Overdraft	Long Term	8.33	ACUITE BBB Stable (Assigned)
	Dropline Overdraft	Long Term	38.00	ACUITE BBB Stable (Assigned)
	Dropline Overdraft	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	18.67	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Yes Bank Ltd	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Kotak Mahindra Bank	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.67	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.33	Simple	ACUITE BBB- Stable Downgraded (from ACUITE BBB)

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

Sr. No.	Company Name
1.	Shah Coal Private Limited
2.	Aarti Logistic Private Limited

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About Acuité Ratings & Research

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