Press Release

Alps Mining Services Private Limited (Erstwhile Alps Mining Serv

September 30, 2022

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	-	ACUITE A2 | Upgraded
Bank Loan Ratings	8.00	ACUITE BBB+ | Stable | Upgraded	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating to 'ACUITE BBB+' (read as ACUITE triple B plus) from 'ACUITE BBB' (read as ACUITE triple B) and also upgraded the short term rating to 'ACUITE A2' (read as ACUITE A two) from 'ACUITE A3+' (read as ACUITE A three plus) to the Rs.25.00 Cr bank facilities of Alps Mining Services Private Limited (AMSPL)(Erstwhile known as Alps Mining Services). The outlook is 'Stable'.

The rating upgrade factors in the strong performance of AMSPL in FY2022 marked by sharp improvement in revenue and profitability, which is backed by commissioning of new washery unit. The financial risk profile have remained comfortable with gearing below unity and robust debt coverage indicators on the back of consistent increase in the networth and higher cash accruals. The rating also derives comfort from the adequate liquidity position of the group marked by surplus cash accruals and unutilized bank lines. The rating also factors in reputed client profile of the company supported by prospects for commissioning of new washery units, along with increasing demand in the industry providing revenue visibility over the medium term. These strengths are however, partly offset by the working capital intensity in the operations and susceptibility to changing demand and pricing conditions.

About the Company

Alps Mining Services Private Limited (Erstwhile known as Alps Mining Services) was established in 2016, as a Chhattisgarh based partnership firm by Mr. Naresh Poddar (95 per cent stake) and Mr. Amit Singhal (5 per cent stake). It was engaged in trading and transportation of coal, with customer base spread across Chhattisgarh, Odisha and Jharkhand. Two new partners, Mr. Aditya Agarwal who is also a shareholder and director at Hind Energy Group (ACUITÉ A+/Stable/A1) and Mr. Sourav Agrawal came in as new partners from April 2021, with new profit and loss sharing ratio of 5:5:80:10 among Mr. Naresh Poddar, Mr. Amit Singhal, Mr. Aditya Agarwal and Mr. Sourav Agrawal. Again in September 2022, the constitution of the firm was changed to private limited, and the name was also changed accordingly. The firm caters to the coal requirements of power, metal, paper, steel and cement industries and it procures coal from various collieries from ECL and its subsidiary through e–auction and also procures South African coal as per requirement.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AMSPL to arrive at the rating

Key Rating Drivers

Strengths

Significant improvement in scale of operation

The company has achieved revenues of Rs. 702.79 Cr in FY2022 (provisional) as compared to revenues of Rs 182.59 Cr in FY2021. The company has achieved revenues of Rs ~550.29 Cr till August 2022(Provisional). The turnover of the company has been growing at a CAGR of more than ~89.00 per cent from FY18 to FY22. The growth in FY21 was muted on account of disruption in operation due to pandemic outbreak and also the demand for electricity was low which led to decline in demand for coal. However, the top line improved significantly in FY22, mainly driven by both improvement in volume and realizations along with commissioning of the coal washery unit. The growth in revenue is driven by high demand from end user industry like iron and steel, power cement etc. Acuité believes the scale of operation will improve further in medium term backed by increasing demand for coal in the domestic market.

Effective utilisation of coal rejects increases the profitability of AMSPL's coal operations

As a part of its coal beneficiation during H2FY22, AMSPL undertook re-processing of rejects generated from the coal beneficiation process (20% to 30% rejects generated), which further breaks down coal rejects into organic coal particles and inorganic impurities. The company extracts the remaining carbon in the form of better quality coal rejects and coal fines. AMSPLB blends coal rejects with raw-coal purchased from third parties (primarily through CIL's e-auctions). Blending raw coal increases the calorific value of coal rejects and increases its utility as fuel. Given the current shortage of coal due to slower growth in CIL's coal production, as well as increase in price of imported coal, there is a strong demand from power and cement sectors for high quality coal rejects and blended coal. AMSPL typically purchases the rejects - generated during the beneficiation process - from its customers. The margins soared, since AMSPL purchased coal rejects, increased their utility through reprocessing and blending with raw coal, and thereafter resold it as feedstock for power plants.

Therefore, the EBITDA margin of the company increased to 21.49 per cent in FY2022 (provisional) as compared to 6.67 per cent in the previous year, despite high input prices and higher freight cost for transportation of coal. The PAT margins also improved to 13.47 per cent in FY2022 (provisional) as against 3.91 per cent as on FY2021. The ROCE stood robust at 108.81 per cent in FY2022 (provisional), benefitting from the healthy profitability and asset-light nature of the business. Acuité believes the profitability of the group is expected to remain at a comfortable level in medium term.

Healthy financial risk profile

The company's financial risk profile is marked by healthy networth base, comfortable gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs. 107.64 Cr as on March 31, 2022 (Prov) from Rs.30.87 Cr as on March 31, 2021, aided by sizeable accretion to reserves which kept the capital structure conservative, as reflected by a low gearing of 0.98 times as on March 31, 2022 (Prov), despite a significant increase in external borrowings in FY22. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.27

times as on March 31, 2022 (Prov) as compared to 1.68 times as on March 31, 2021. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 39.27 times and Debt Service Coverage Ratio at 21.17 times as on March 31, 2022 (Prov). The surge in earnings in FY2022 supported by minimal debt and high accruals led to further improvement in the credit metrics. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.24 times as on March 31, 2021 and 0.91 times as on March 31, 2022 (Prov). Acuité believes that AMSPL's financial profile has strengthened further in FY2022 and the same is likely to sustain going forward, supported by healthy internal accrual generation and no major increase in the company's debt levels, even though AMSPL is expected to incur capex to expand its washery units.

Weaknesses

Working capital intensive nature of operation

The working capital management of the group is marked by Gross Current Assets (GCA) of 172 days in 31st March 2022 (provisional) as compared to 164 days in 31st March 2021. The high level of GCA days is on account of high level of current assets due to significant advances given to suppliers. However, the debtor period improved to 54 days as on 31st March 2022 (provisional) as compared to 74 days as on 31st March 2021. Moreover, the inventory period also stood comfortable at 31 days in 31st March 2022 (provisional) as compared to 29 days in 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level given the nature of the industry over the medium term.

Competition space and stressed end user industry

Coal traded and transported by AMSPL find their end use by companies involved in power generation, manufacturing of cement, iron & steel. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to significant reduction in energy consumption from power plants, putting the power plants under financial distress. Any policy changes affecting the highly regulated coal industry or its end users will impact the financial and business risk profile of the company. As per the present Import policy, coal can be freely imported under the Open General License by the consumers themselves considering their needs based on their commercial prudence, thus enabling entry of many players into the sector and leading to intense competition in the sector.

Rating Sensitivities

- Sustenance in revenue growth with healthy financial risk profile
- Any change in government regulations

Material covenants

None

Liquidity Position: Strong

AMSPL's liquidity profile remains strong, supported by healthy internal accrual generation with no major debt repayment liability or major capex plans. Net cash accruals stood at Rs.96.21 Cr as on March 31, 2022 (provisional) as against long term debt repayment of only Rs.0.88 Cr over the same period. The current ratio also stood comfortable at 1.75 times as on March 31, 2022 (provisional). Moreover, the average utilisation of the fund-based limits stood low at ~19.73 per cent during the last 6 months ended August 2022, indicating a considerable buffer from unutilised sanctioned limits. However, the cash and bank balances of the company stood low at Rs.0.45 Cr as on March 31, 2022 (provisional) as compared to Rs.0.28 Cr as on March 31, 2021. Also, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 172 days in FY2022 (prov.) as compared to 164 days in

FY2021. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of sustainable growth in the financial performance of the company, marked by its satisfactory scale of operations, and improved profitability margins would help, given the comfortable capital structure and strong debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. Conversely, the outlook may be revised in case of weakening of its business risk profile, lower coal offtake and deterioration in profitability margins thereby impacting the liquidity and debt protection indicators of the company.

Other Factors affecting Rating

None

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	702.79	182.59
PAT	Rs. Cr.	94.67	7.13
PAT Margin	(%)	13.47	3.91
Total Debt/Tangible Net Worth	Times	0.98	0.98
PBDIT/Interest	Times	39.27	11.79

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 Entitie: https://www.acuite.in/view-rating-criteria-61.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.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
05 Jul 2021	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	15.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2 | Upgraded
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2 | Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ | Stable | Upgraded

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.