



Press Release
Alps Mining Services Private Limited (Erstwhile Alps Mining Services)
July 28, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	8.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	17.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and its short term rating to '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.25.00 Cr bank facilities of Alps Mining Services Private Limited (AMSPL) (Erstwhile known as Alps Mining Services). The outlook is '**Stable**'.

Furthermore, Acuite has assigned its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.10 Cr bank facilities of Alps Mining Services Private Limited (AMSPL) (Erstwhile known as Alps Mining Services). The outlook is '**Stable**'.

Rationale of rating reaffirmation

The rating reaffirmation takes into account the steady business risk profile of the company reflected by increasing revenue from its operations to Rs. 1105.44 Cr in FY2023 (provisional) compared to Rs. 702.79 Cr in FY2022. The rating also factors in the healthy financial risk profile with low gearing levels, moderate net worth and comfortable debt protection matrices. The liquidity position of the company remains adequate with steady cash accruals against matured debt obligations. In order to increase the value chain and improve profitability, the company is planning to undertake a capex by installing an additional capacity of Washery unit of 9 MTPA which will be completed by March, 2024. The estimated project cost is Rs.125 Cr, which will be funded by internal accruals of Rs.125 Cr. As a result, there will be an increase in installed capacity of Washery Unit to 11 MTPA from 2 MTPA.

Acuite believes that the revenues of the company are expected to continue show improvement on account of company's reputable client profile, prospects for new washery units, and the industry's growing demand. The rating also draws comfort from the established operations with experienced management of the company.

However, these strengths are partially offset by working capital intensive nature of operations, exposure to Intense competition and strained end user Industry and tender nature of business operations.

About the Company

Alps Mining Services Private Limited (formerly known as Alps Mining Services) was established in 2016 as a partnership firm based in Chhattisgarh, with Mr. Naresh Poddar holding a 95

percent stake and Mr. Amit Singhal holding a 5 percent stake. The company's main activities revolved around coal trading and transportation, serving customers across Chhattisgarh, Odisha, and Jharkhand. In April 2021, two new partners, Mr. Aditya Agarwal (also a

shareholder and director at Hind Energy Group) and Mr. Sourav Agrawal, joined with a revised profit and loss sharing ratio of 5:5:80:10 among Mr. Naresh Poddar, Mr. Amit Singhal, Mr. Aditya Agarwal, and Mr. Sourav Agrawal. Subsequently, in September 2022, the firm underwent a constitution change to become a private limited company, and the name was updated accordingly. The company caters to the coal needs of various industries, including power, metal, paper, steel, and cement, sourcing coal from various collieries through e-auctions from ECL and its subsidiary, as well as procuring South African coal based on demand.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

Mr. Naresh Poddar, with a decade of experience in the coal trading business, promoted AMSPL. Currently, the partnership firm is led by two partners, Mr. Naresh Poddar and Mr. Amit Singhal, who are supported by a capable team of professionals. Before becoming a partnership firm, Mr. Poddar operated the business as a proprietorship concern since 2012. Prior to venturing into the coal business, the promoter was involved in cement trading and warehousing. The extensive experience of the partners has enabled AMSPL to establish strong relationships with reputable customers, including TATA Steel Long Product Ltd. (a subsidiary of Tata Steel), JSW Steel, Heidelberg Cement India Ltd., ACC Cement, among others. Acuité believes that the promoters' wealth of experience and the positive rapport with customers and suppliers will contribute to the company's enhanced scale of operations in the future.

- **Effective utilisation of coal rejects increases the operating income of AMSPL's coal operations**

AMSPB undertook coal beneficiation, re-processing rejects generated from the process (20% to 30% rejects) into organic coal particles and inorganic impurities. The company then extracts the remaining carbon as better quality coal rejects and fines. AMSPLB blends these coal rejects with raw-coal purchased from third parties, primarily through CIL's e-auctions, to increase their calorific value and utility as fuel. Due to the current shortage of coal and increased prices of imported coal, there is a strong demand from power and cement sectors for high-quality coal rejects and blended coal. AMSPL purchases the rejects from its customers, enhances their utility through reprocessing and blending, and resells them as feedstock for power plants.

As a result, the company's revenues increased to Rs. 1105.44 Cr in FY2023 (provisional) compared to Rs. 702.79 Cr in FY2022, with a CAGR of approximately ~57.18% from FY2022 to FY2023 (Provisional). The growth is attributed to improved volume and realizations, along with the commissioning of the coal washery unit. The rise in revenue is driven by high demand from industries like iron and steel, power, cement, etc. Acuité expects further operational improvement in the medium term due to increasing demand for coal in the domestic market.

However, the operating margin declined to 18.27 percent in FY2023 (provisional) from 21.57 percent in FY2022, mainly due to high input prices and higher freight costs for coal transportation.

Additionally, the net profitability margin decreased to 9.84 percent in FY2023 (Provisional) from 15.19 percent in FY2022. Acuité believes that the profitability margin of the company will improve at healthy levels over the medium term.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by improved net worth, comfortable gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs.196.78 Cr. as on 31 March 2023(Provisional) as compared to Rs.88.02 Cr. as on 31 March 2022 aided by sizeable accretion to reserves. Furthermore, its capital structure remains leveraged marked by gearing of 0.84 times as on 31 March 31, 2023 (Provisional), despite a significant increase in external borrowings in FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.43 times as on March 31, 2023 (Provisional) as compared to 2.99 times as on March 31, 2022. The debt protection matrices of the company remain comfortable marked by Interest Coverage Ratio at 13.49 times and Debt Service Coverage Ratio at 8.00 times as on March 31, 2023 (Provisional). The surge in earnings in FY2023(Provisional) supported by minimal debt and high accruals led to further improvement in the credit metrics, given the inherent trading nature of its operations. The net cash accruals to total debt (NCA/TD) stood at 0.68 times in FY2023(Provisional).

Going forward, Acuité believes that going forward the financial risk profile will remain healthy over the medium term, 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 company is marked by high but improving Gross Current Assets (GCA) of 145 days in 31st March 2023 (provisional) as compared to 172 days in 31st March 2022. The high level of GCA days is on account of high level of current assets due to significant advances given to suppliers and related parties. However, the debtor period improved to 35 days as on 31st March 2023 (provisional) as compared to 54 days as on 31st March 2022. Moreover, the inventory period also stood comfortable at 38 days in 31st March 2023 (provisional) as compared to 31 days in 31st March 2022. 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.

- **Intense competition and strained end user Industry**

The coal traded and transported by AMSPL is utilized by companies involved in power generation, cement manufacturing, and iron & steel production. However, the increasing cost of coal supply, coupled with the availability of environmentally friendly and economically attractive options such as solar and wind power, has caused a significant decline in energy consumption from power plants, leading to financial difficulties for these plants. Any changes in policies that affect the highly regulated coal industry or its end users could have an impact on the financial and business risk profile of AMSPL. Under the current Import policy, consumers have the liberty to freely import coal under the Open General License, allowing multiple players to enter the sector and leading to intense competition.

Rating Sensitivities

- Sustenance in revenue growth with healthy financial risk profile
- Elongation in the working capital cycle
- Any change in government regulations

Material covenants

None

Liquidity Position Adequate

The company has adequate liquidity profile marked by net cash accruals of Rs.112.01 Cr as on March 31, 2023 (provisional) as against long term debt repayment of only Rs.0.91 Cr over the same period. The current ratio also stood comfortable at 1.66 times as on March 31, 2023 (provisional). Moreover, the average utilisation of the fund-based limits stood at ~44.16 per

cent during the last six months ended June 2023. However, the cash and bank balances of the company stood low at Rs.0.12 Cr as on March 31, 2023 (provisional) as compared to Rs.0.11 Cr as on March 31, 2022. However, the company's operations are working capital intensive in nature as reflected by high Gross Current Assets (GCA) of 145 days in 31st March 2023 (provisional) as compared to 172 days in 31st March 2022. Acuité believes that going forward the company 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

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1105.44	702.79
PAT	Rs. Cr.	108.76	106.75
PAT Margin	(%)	9.84	15.19
Total Debt/Tangible Net Worth	Times	0.84	1.20
PBDIT/Interest	Times	13.49	39.41

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

Not Applicable

Any other information

Not Applicable

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

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
30 Sep 2022	Bills Discounting	Short Term	15.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	2.00	ACUITE A2 (Upgraded from ACUITE A3+)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB+ Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.90	ACUITE BBB+ Stable Assigned

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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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