



**Press Release**  
**Hind Multi Services Private Limited**  
**November 06, 2023**  
**Rating Upgraded**

| Product                            | Quantum (Rs. Cr) | Long Term Rating              | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings                  | 10.35            | ACUITE A+   Stable   Upgraded | -                 |
| Total Outstanding Quantum (Rs. Cr) | 10.35            | -                             | -                 |

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITÉ A+**' (read as **ACUITÉ A plus**) from '**ACUITÉ A-**' (read as **ACUITÉ A minus**) on the Rs.10.35 crore bank facilities of Hind Multi services Private Limited. The outlook remains '**Stable**'.

**Rationale for rating upgrade**

The rating upgrade is primarily driven by ramp up in the scale of operations of HMSPL marked by increase in revenues to Rs. 260.92 in FY2023 (Provisional) from Rs. 76.42 Cr in FY2022 owing to rise in the coal trading followed by transportation receipts. The rating further considers the improvement in the financial risk profile of the company marked by rise in the networth coupled with sustained comfortable gearing of 0.92 times in FY2023 (Provisional) and healthy debt coverage indicators. The rating also favourably factors in the financial support provided by the flagship company HECBIL.

These strengths are, however, partially offset by the intensive working capital management marked by high Gross Current Assets (GCA) of 158 days in FY2023 (Provisional) as against 148 days in FY2022.

**About the Company**

Hind Multi Services Private Limited (HMSPL) is a subsidiary of HECBIL (Hind Energy and Coal Beneficiation (India) Limited) and has a washing capacity of 3.4 MTPA. HMSPL is promoted by Mr. Pawan Kumar Agrawal and Mr. Sanjay Agrawal.

**About the Group**

Hind Energy and Coal Beneficiation (India) Limited (HECBIL) was incorporated in 2005 as a private limited company and later on the constitution was changed to a limited company in 2010. The company is managed by Mr. Pawan Kumar Agrawal and Mr. Sanjay Agrawal along with a group of experienced professionals. HECBIL is engaged in the beneficiation of non-coking coal according to the Gross Calorific Value (GCV) requirement of the customers. The customer base comprises of power generating, steel and cement industries. The company also trades in reject coal which is the by-product of beneficiation. The group has an overall installed capacity of 16.64 MTPA. In HECBIL, the washing capacity is 6.48 MTPA.

Based in Bilaspur, Clean Coal Enterprises Private Limited (CCEPL) is managed by Mr. Pawan Kumar Agrawal and Mr. Sanjay Agrawal. CCEPL is engaged in the beneficiation of non-coking coal based on the GCV requirement of the customers from the power generating, steel and cement industries. Additionally, the company trades in reject coal. Currently, the company has an installed capacity of 1.86 MTPA.

Based in Madhya Pradesh, Radiant Coal Benification Private Limited (RCBPL) is promoted by

Mr. Pawan Kumar Agarwal and Mr. Satish Kumar Agarwal. RCBPL is involved in the coal beneficiation business with an installed capacity of 0.9 MTPA.

Acquired in 2017, Earth Minerals Company Limited (EMCL) is a part of the Hind Energy group. The company is engaged in coal washing and has an installed capacity of 4 MTPA. Presently in FY2023, EMCL's shareholding has changed and HECBIL ceases to be a holding company of EMCL. However, the shareholding is with the promoter group and their other group entities and HECBIL has also extended corporate guarantees to EMCL's bank loans.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Hind Energy and Coal Benefication (India) Limited (HECBIL), Clean Coal Enterprises Private Limited (CCEPL), Radiant Coal Benefication Private Limited (RCBPL), Earth Mineral Company Limited (EMCL) and Hind Multi Services Private Limited (HMSPL), hereinafter referred to as the Hind Group (HG). The consolidation is in the view of similar line of business, common management and HECBIL holds more than 50 percent stakes in CCEPL, RCBPL & HMSPL. Although EMCL ceases to be held by HECBIL but has been consolidated in view of similar line of business, common management and corporate guarantee provided by HECBIL.

### **Extent of Consolidation**

Full

### **Key Rating Drivers**

#### **Strengths**

##### **Strong presence in the industry**

Hind Group was incorporated in 2005 with the incorporation of its flagship company, HECBIL. Since then, the group has expanded their operations and is currently engaged in the business of coal washing, coal liasoning, coal transportation and coal trading. It is also engaged in coal trading from the rejects acquired through washing. The group has incorporated 2 (HECBIL & HMSPL) and acquired 3 (CCEPL, RCBPL & EMCL) companies and has a collective washing capacity of 16.64 MTPA. This expansion has helped the group in improving the operating performance. The group also owns 3 railway sidings which further enhances its operational efficiencies.

Acuité derives comfort from the group's established position in the industry.

##### **Long track record of operations aided by experienced management**

Hind Group is aided by the extensive experience of Mr. Pawan Kumar Agrawal and Mr. Sanjay Agrawal along with a set of experienced professionals. With operations spanning around two decades coupled with support from the experienced promoters, the group has established a strong clientele base in the private and public sectors comprising of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL), Maharashtra State Power Generation Company Limited (MAHAGENCO), among others.

Acuité believes that the experienced management and the established presence in the coal industry will continue to benefit the group over the medium term.

##### **Healthy scale of operations backed by sound order book position**

The group's scale of operations is healthy marked by revenues of Rs. 1041.07 Cr in FY2023 (Provisional) as against Rs. 755.55 Cr in FY2022 and Rs. 267.72 Cr in FY2021. The improvement in the operating income is driven by ramp up in the scale of operations of HMSPL along with rise in income from coal trading segment because of increase in demand for coal due to improvement in economic activities. The operating income is further supported by the strong order book position of the group which provides healthy revenue visibility. All the contracts of the group are issued by the power generation companies related to washing, handling and transportation of coal. Nearly 40 percent of contracts have escalation clause that are linked to wholesale price index. Moreover, the group has fixed annual contracts of around Rs 500 Cr from various thermal power plants regarding coal washing.

Also, since FY2024, EMCL can bid in direct tenders with power companies to acquire coal washing orders which provides further revenue visibility of the group.

Acuité believes the scale of operations will remain healthy over the medium term backed by the healthy order flow from state owned entities and the steady demand for coal in the market.

Moreover, the profitability margins of the group remained at healthy levels in FY2023. The operating margin stood at 18.72 per cent in FY2023 (Provisional) as against 25.79 per cent in FY2022. The decline in the profit margin is primarily driven by the hefty deductions by power plants in FY2023 to the tune of Rs. 112.32 Cr (approximately). This substantial amount takes into account the total of the last three consecutive financial years which got accumulated in the last two years due to the pandemic. The deductions are owing to shortfall in the quality of products delivered in comparison to the client's expectations. However, the RoCE of the group stood at a comfortable level of 22.61 per cent in FY2023 (Provisional).

Acuité believes that the profitability may continue to remain healthy over the medium term owing to the high margin in coal washing segment.

### **Robust financial risk profile**

The group has a robust financial risk profile marked by its healthy net worth, low gearing ratio and comfortable debt protection metrics. The tangible net worth of the group stood at Rs. 734.88 Cr. as on 31st March, 2023 (Provisional) as compared to Rs. 605.75 Cr. in the previous year due to accretion to reserves. The gearing ratio of the group stood at 0.26 times in FY2023 (Provisional) as against 0.23 times in FY2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.58 times in FY2023 (Provisional). Moreover, the healthy debt coverage indicators marked by Interest Coverage Ratio (ICR) at 9.79 times and Debt Service Coverage Ratio (DSCR) at 5.17 times in FY2023 (Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.92 times in FY2023 (Provisional). The group has capex plans to set up a railway siding in CCEPL, acquiring coals washeries and setting up offices in Nagpur (Maharashtra), Raipur (Chhattisgarh) and in Odisha. The total capex cost is expected to be about Rs. 130 Cr of which almost Rs. 88 Cr has been incurred till date and balance will be completed by FY2025. The same is being funded by internal accruals, and so it is not expected to affect the gearing ratio of the group.

Acuité believes financial risk profile of the group will remain robust over the medium term backed by healthy cash accruals leading to improved net worth and gearing and have comfortable debt protection metrics over the medium term.

### **Weaknesses**

#### **Working capital intensive nature of operations**

The working capital requirement of the group is intensive marked by high by Gross Current Assets (GCA) of 200 days in FY2023 (Provisional) as compared to 175 days in FY2022 due to stretched receivables and high other current assets. The debtor days stood high at 100 days in FY2023 (Provisional) because of stretched receivables from different government owned entities. The high other current assets in FY2023 are primarily on account of high amount of accrued interest and unbilled receivables to the tune of Rs. 69.63 Cr and balance with Government authorities of Rs. 18.51 Cr. However, the inventory period stood moderate at 27 days in FY2023 (Provisional) as compared to 15 days in FY2022.

Also, the group has extended financial support to its other group companies (not consolidated) to the extent of about Rs.50.56 Cr in FY2023 which forms a part of its other current assets. The group's creditor period stood at 46 days in FY2023 (Provisional) as against 36 days in FY2022. The average working capital utilization of the group stood low around 27 percent during last seven months ended August 2023.

Acuité believes the working capital cycle of the group will continue to remain intensive owing to stretched receivables and other current assets over the medium term.

#### **End user sector challenges**

Coal washed, transported and traded by Hind group find their end use by companies involved in power generation, cement manufacturing and steel and metal plants. The consumers that Hind group caters to are also under high regulation from the government. 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. Loss of supply linkages between the cement industry and coal availability has been a developing challenge in India over lack of infrastructure.

Any policy changes affecting the highly regulated coal industry or its end users will impact the financial risk profile of Hind group. The ability of Hind group to grow in such conditions and maintain its profitability will be key monitorable in the future.

### **Rating Sensitivities**

- Sustenance in revenue growth while maintaining profitability
- Any debt funded capex plans affecting the capital structure
- Higher than expected support to other group companies of promoters
- Any change in government regulations

### **All Covenants**

None

### **Liquidity Position**

#### **Strong**

The strong liquidity position of Hind Group is marked by the healthy net cash accruals of Rs. 175.53 Cr in FY2023 (Provisional) as against current maturity of only Rs. 14.58 Cr over the same period. Moreover, the average working capital utilization stood low around 27 percent during last seven months ended August 2023. Current ratio stood comfortable at 2.45 times in FY2023 (Provisional). However, the group's working capital cycle is intensive in nature marked by high GCA days which stood at 200 days in FY2023 (Provisional) as against 175 days in FY2022 due to stretched receivables. Further, the group has capex plans, but the same is being funded by internal accrual and thus the reliance on bank line is minimal. The group provides financial support in the form of loans and advances and as investments to other subsidiaries and group companies (not consolidated) which reduces its financial flexibility slightly. The continuance and extent of such financial support will remain a key monitorable factor.

Acuite believes liquidity profile will continue to remain strong backed by steady cash accruals, absence of debt funded capex plans and lower reliance on bank lines over the medium term.

### **Outlook: Stable**

Acuite believes that Hind Group will maintain a 'Stable' outlook over the medium term on account of its robust financial risk profile and sound business risk profile. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations and profitability margins along with maintenance of strong financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity due to excess financial support to group companies and weakening of financial risk profile due to debt funded capex plans.

### **Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 23 (Provisional) | FY 22 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 1041.07             | 755.55         |
| PAT                           | Rs. Cr. | 129.01              | 118.87         |
| PAT Margin                    | (%)     | 12.39               | 15.73          |
| Total Debt/Tangible Net Worth | Times   | 0.26                | 0.23           |
| PBDIT/Interest                | Times   | 9.79                | 12.40          |

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

Not Applicable

### 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>
- 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>

### 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. 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                |
|-------------|--------------------------------|-----------|-----------------|-------------------------------|
| 07 Feb 2023 | Term Loan                      | Long Term | 10.35           | ACUITE A-   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                        |
|---------------------|----------------|------------|------------------|---------------|---------------|------------------|-------------------|-------------------------------|
| State Bank of India | Not Applicable | Term Loan  | Not available    | Not available | Not available | Simple           | 10.35             | ACUITE A+   Stable   Upgraded |



## Contacts

| Analytical                                                                                                                                                                                                                                                                               | Rating Desk                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Mohit Jain<br>Senior Vice President-Rating Operations<br>Tel: 022-49294017<br><a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a><br><br>Geeta Karira<br>Analyst-Rating Operations<br>Tel: 022-49294065<br><a href="mailto:geeta.karira@acuite.in">geeta.karira@acuite.in</a> | Varsha Bist<br>Senior Manager-Rating Operations<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.