



Press Release
DEV MINING COMPANY
March 19, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	68.00	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	68.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.68.00 Cr. bank facilities of Dev Mining Company. The outlook is '**Stable**'.

Rationale for the rating

The rating assigned factors in the long operational track record of the firm and the experience of the partners in the mining and transportation industry. The rating also considers the significant improvement in the scale of operations marked by operating income of Rs.191.20 Cr. in FY2023 as against Rs.38.12 Cr. in FY2022 and the upward trend in Over Burden Removal (OBR) is expected to expedite the coal production going forward. The rating also favourably factors in the comfortable order book position of ~Rs.641 Cr. as on February 2023 which shall be executed in the next 3-36 months, thus providing comfortable revenue visibility over the near to medium term and efficient working capital management. The adequate liquidity position as reflected in the low utilisation of the fund based limits further supports the rating. The rating however remains constrained by high gearing (Debt/Equity: FY23: 3.06 times) and is further expected to increase in the near term as the firm plans to raise Term Loan to fund its capex, declining profitability margins, susceptibility to risks related to heightened regulations in the mining industry and risk pf capital withdrawal associated with the partnership nature.

About the Company

Established in 2015, Dev Mining Company (DMC) is engaged in mining and transportation business. The company is engaged in mining operations of Minerals such as Iron Ore, Coal, Manganese Ore, etc, crushing and screening plant operations, transportation of minerals and fines to SAIL, BSP, Hira Power & Steel Plant, Bajrang Power & Ispat Limited, NECO, JSW, etc. DMC is internationally certified for Quality Management System-ISO 9001: 2015, Environmental Management System-ISO 14001: 2004, Occupational Health & Safety Management System in Mechanized Opencast Mining-OHSAS 18001: 2007.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of DMC to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced partners

The firm has a long operational track record of a decade in the mining and transportation

industry. The established track record of the company has enabled it to build long standing relationship with its customers over the years. Further, the Managing Partner, Mr. Sumit Jain has over one and a half decades of experience in the mining and transportation industry. Acuite believes that long track record of operations and extensive experience of the management might support the business risk profile to an extent.

Significant improvement in the scale of operations albeit a declining profitability margins

The firm registered a significant improvement in its operating income marked by Rs. 191.20 Cr in FY2023 as against Rs.38.12 Cr in FY2022 and Rs.20.23 Cr in FY2021. Prior to FY2021, the firm was majorly into subcontracting activities. It is only since FY2021 that they started executing mining and transportation contracts on their own and have been able to scale up its operations significantly due to increased contracts for transportation of minerals (Proportion of revenue from transportation business in FY21: 1% whereas in FY23: 66%). Moreover, the company has an unexecuted order book position to the tune of Rs.641.63 Cr as on February 12th, 2024, which shall be executed in next 3-36 months, thereby providing comfortable revenue visibility in the near to medium term. Further, the firm's growth trajectory in Over Burden Removal (OBR) remained steady during FY2023 with OBR excavated at 1.10 million Cubic Metres (M.Cu.M) in FY2023 as against 0.80 M.Cu.M of OB in FY2022. As a result, coal production for FY2023 increased to 1.7 MTPA from the previous 1.1 MTPA in FY2022. The firm has achieved a revenue of Rs.226.76 Cr till December'23.

Acuite derives comfort from the healthy revenue visibility over the medium term and believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term. Nonetheless, the smooth execution of the orders in hand without any delays will be a key monitorable. Moreover, Acuite anticipates that this upward trend in OBR will expedite coal production in the future, leading to positive revenue growth and enhancing the business's risk profile going forward.

Comfortable order book position and reputed clientele

The firm has a healthy order book position with unexecuted orders in hand of Rs.641.63 Cr as on 12th February 2024, which will be executed in next 3-36 months, thus providing comfortable revenue visibility over the medium term. The order book comprises of mainly mining activities like excavation of iron ore and transportation of iron ores. However, the firm provides both mining and transportation services in a bundle to Steel Authority of India Limited. Moreover, the firm has a reputed client base which includes SAIL, JSW Ispat Special Products Limited, to name a few.

Weaknesses

Average financial risk profile

The firm's financial risk profile is average marked by moderate net worth base, high gearing and comfortable debt protection metrics. The tangible net worth of the firm increased to Rs.10.63 Cr as on March 31, 2023 from Rs.6.70 Cr as on March 31, 2022 due to infusion of capital by partners. The gearing of the firm stood high at 3.06 times as on March 31, 2023 as against 2.47 times as on March 31, 2022. Gearing is expected to increase further in the near term as the firm plans to raise Rs.68 Cr term loan to fund its capital expenditure towards mining equipment and machineries. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.40 times as on March 31, 2023 as against 3.10 times as on March 31, 2022. However, the comfortable debt protection metrics is marked by Interest coverage Ratio of 6.48 times as on March 31, 2023 as against 7.95 times as on March 31, 2022; and Debt Service Coverage Ratio at 1.81 times as on March 31, 2023 as against 1.97 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on March 31, 2023.

Acuite believes that going forward despite the debt funded capex plan in the near to medium term, the financial risk profile of the firm is likely be sustained backed by steady accruals.

Susceptibility to risks related to heightened regulations in the mining industry

Operational and regulatory risks in the mining industry have increased significantly in recent years. Regulatory actions have largely been to clamp down on illegal mining, and have

included withholding of permits, and ban on export and mining.

Rating Sensitivities

- Improvement of the scale of operations along with significant improvement in the profitability margins.
- Elongation of working capital cycle

Liquidity Position Adequate

The firm has an adequate liquidity position marked by Net Cash Accruals of Rs.9.33 Cr as on March 31, 2023 as against current maturities of long-term debt of Rs.4.39 Cr over the same period. Further, the firm is expected to generate sufficient net cash accruals to repay its debt obligation in the near to medium term. The fund-based limits remained utilised at ~37 per cent for the last six months ended December'23. The current ratio stood moderate at 1.11 times as on March 31, 2023. The cash and bank balance stood at Rs.0.76 Cr as on March 31, 2023. Moreover, the efficient working capital management of the firm is marked by GCA days of 65 days in FY2023. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on DMC will remain 'Stable' over the medium term on account of experienced management and comfortable scale of operations. The outlook may be revised to 'Positive' in case the company registers any significant improvement in its scale of operations or profitability margins or working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity position or further deterioration in the profitability margins or deterioration in its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	191.20	38.12
PAT	Rs. Cr.	4.92	1.70
PAT Margin	(%)	2.58	4.46
Total Debt/Tangible Net Worth	Times	3.06	2.47
PBDIT/Interest	Times	6.48	7.95

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	68.00	ACUITE BB 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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