

January 08, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF JMS MINING SERVICES PVT. LTD.

Ratings

| Bank Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---------------------------------|--|--|-------------------|
| Long-term Bank Facilities | 125 (enhanced from 70) | CARE A+ (Single A Plus) | Reaffirmed |
| Short-term Bank Facilities | 15 (enhanced from 10) | CARE A1+ (A One Plus) | |
| Long/short term Bank Facilities | 215 (reduced from 220) | Care A+/CARE A1+ (Single A Plus/A One Plus) | |
| Total Facilities | 355 (Rs. Three hundred and fifty five crore only) | | |

Rating Rationale

The ratings assigned to JMS Mining Services Private Limited (JMSPL) continue to draw strength from the established promoter group, experienced technical personnel, healthy financial risk profile, reputed clientele, branding and business development agreement with the Joy group of companies and escalation clause in all the service contracts. The ratings are, however, constrained by the customer concentration, exposure to regulatory risks, risk of underproduction and exposure to foreign exchange fluctuations. The ratings also take into account the impact of the recent foray into hiring model.

Increasing the scale of operation by entering into new service contracts as well as renewal of existing contracts and successful diversification of business operations along with maintenance of capital structure would remain the key rating sensitivities.

Background

JMSPL (erstwhile Joy Mining Services Pvt Ltd) was incorporated in 2009 and was initially promoted by P&H Joy Mining Equipment India Ltd (P&H) as a mining service provider mainly to operate the mining equipment sold by its group company. P&H is a 100% subsidiary of Joy Mining Machinery Ltd., UK (JMML), which is a part of Joy Global Inc., USA. JMSPL was taken over by the Simplex group of Kolkata in May 2012. Currently, JMSPL is operating six service contracts from subsidiaries of Coal India Ltd (CIL) and The Singareni Collieries Co. Ltd. (SCCL, rated 'CARE AA') at their project sites.

JMSPL provides support services related to the mining activities like undertaking scientific studies for the mines, preparation of mining plans and approval of the same from Directorate General of Mines Safety (DGMS), installation, repairing and maintenance of mining equipment purchased from JMML to provide the guaranteed production, supplying trained engineers & manpower for mining operations & extraction of minerals, providing training with regards to the operations of the machines and providing supervisory & liaisoning services to the mine owners, etc. JMSPL ventured into execution of contracts under hiring model from June 2015 with start of operation at Vijay West site where the company owns the continuous mining machines and repairs and maintenance cost is to be borne by JMSPL.

Simplex Infrastructures Ltd. (Simplex, rated CARE A/CARE A1) acquired JMSPL in May 2012 to venture into the area of underground mining. Subsequently, in September 2012, Simplex sold its investments in JMSPL to its group company Simplex Mining Pvt. Ltd. (SMPL).

In FY15, JMSPL achieved PAT (after deferred tax) of Rs.50.25 crore (Rs.44.05 crore in FY14) on total operating income of Rs.118.81 crore (Rs.95.74 crore in FY14). During H1FY16, the company earned a PAT of Rs.22.01 crore on total operating income of Rs.69.38 crore.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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