

Araanya Mines Private Limited

December 02, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	54.78	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+ (CE ^); Stable; [Double B Plus (Credit Enhancement); Outlook: Stable]
Total Bank Facilities	54.78 (Rs. Fifty-Four Crore and Seventy-Eight Lakhs Only)		

[^]credit enhancement was in form of corporate guarantee extended by JV partners i.e. Alope Steels Industries Private Limited (ASIPL; rated CARE BB+; Stable; ISSUER NOT COOPERATING) and Maa Chhinnmastika Cement & Ispat Private Limited (MCCIPL; rated CARE BB+; Stable; ISSUER NOT COOPERATING).

Unsupported Rating

Withdrawn* [Withdrawn]

**Unsupported rating has been withdrawn as analytical approach has been changed to combined from Credit Enhancement*

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated September 14, 2021, placed the rating(s) of Araanya Mines Private Limited (AMPL) under the 'issuer non-cooperating' category as AMPL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. AMPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated, July 31, 2022, August 10, 2022 and August 20, 2022.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of AMPL remained constrained on account of moderate scale of operations and profit margins as well as working capital intensive nature of business during FY21(refers to period April 01 to March 31). The ratings further remained constrained on account of absence of backward integration and cyclical nature of the steel industry. The ratings, however, derive strength from experience of promoters, strategic location of plant and comfortable capital structure as well as debt coverage parameters.

Detailed description of the key rating drivers

At the time of last rating on September 14, 2021 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Moderate scale of operations and profit margins

On a combined basis, the total operating income of the group has marginally improved from Rs.593.89 crore in FY20 to 595.60 crore in FY 21. Profit margins although improved due to declined employee costs as well as other expenses but continued to remain moderate marked by PBILD margin of 5.61% during FY21 as against 3.77% during FY20. Consequently, PAT Margin has also increased and remained low at 2.23% during FY21 as against 1.75% during FY20. Further, GCA level has improved and remained at Rs. 24.27 crore in FY21 as against Rs. 19.64 crore in FY20.

Working capital intensive nature of business

The operations of the group are working capital intensive as the company has to maintain stock of around 3 months for smooth running of manufacturing led to elongated operating cycle of the group during FY21 at 96 days as against 95 days during FY20.

¹ Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Absence of backward integration

The group lacks backward integration and doesn't have any such long term supply contracts with its suppliers. Moreover, it does not have a captive power plant which otherwise would have led to a relatively stable supply source & lower cost for power leading to better operational efficiency.

Cyclical nature of the steel industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users viz., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. Besides local factors, the global demand supply situation especially China is major factor impacting the steel prices and volumes. The producers of steel products are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Key Rating Strengths

Experienced Promoters

The Rungta family has long presence in the iron and steel industry with manufacturing of Sponge Iron and MS Billets and coal mining and handling activities. Mr. Alope Rungta and Mr. Abhishek Rungta are having experience of around a decade in the industry.

Strategic location of plant

The manufacturing facility of the group at Ramgarh near Ranchi in Jharkhand is strategically located with proximity to raw material source within the state of Jharkhand and Odisha and excellent connectivity with rail (around 8 Km from Ramgarh railway station) and road (around 2 Km from NH33). The proximity enables it to take advantage of the lower transportation cost.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the group remained comfortable on back of comfortable networth base as marked by below unity overall gearing ratio of 0.37x as on March 31, 2021 as compare to 0.42x as on March 31, 2020. Further as a result of comfortable gearing position with increase in profitability in absolute terms, Debt coverage indicators improved and remained moderate marked by TDGCA ratio of 4.75 years and interest coverage ratio of 3.55x during FY21 as against 6.27 years and 2.12x during FY20 respectively.

Analytical approach: Combined revised from Credit Enhancement in form of corporate guarantee extended by JV partners i.e. ASIPL and MCCIPL as AMPL has been under the 'issuer not cooperating' category since long; hence, CARE is unable to ascertain whether the corporate guarantee extended by ASIPL and MCCIPL still exists and if it does; whether it fulfils all stipulated conditions necessary for evaluation and consideration of the guarantee.

For arriving at its ratings, CARE has combined the business and financial risk profiles of ASIPL, AMPL, Jharkhand Ispat Private Limited (JIPL) and MCCIPL as these are under common management and have significant operational and financial linkages.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning outlook and credit watch](#)

[Policy on default recognition](#)

[Financial ratios - Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Short Term Instruments](#)

[Rating Methodology - Steel Industry](#)

[Policy on Withdrawal of Ratings](#)

About the Company

AMPL was incorporated in January 2015, as a JV between Alope Steel Industries Private Limited (ASIPL) (57% share) and Maa Chhinnmastika Cement And Ispat Private Limited (MCCIPL) (43% share) by Mr. Alope Rungta and Mr. Abhishek Rungta. In March 2015, AMPL was allotted Lohari coal block in Jharkhand, with total extractable reserves of 9.045 mn MT (i.e. 0.2 mn MT annually), to be used for captive consumption in production of sponge iron by ASIPL and MCCIPL. The mine is currently under development and is expected to yield 2,00,000 tonne per annum of coal which will cater to ~63% of total requirement of the parent companies at the present capacity (~83% of requirement at current production rate of FY19). The total size of the mining area is 400 hectares out of which 85 hectares is forest area and balance 315 hectares is non-forest area. Other companies belonging to the RC Rungta group are Jharkhand Ispat Pvt. Ltd. engaged in the manufacturing of sponge iron and MS Billets, Maa Chhinnmastika Cement & Ispat Pvt. Ltd. engaged in the manufacturing of sponge iron and Alope Steel Industries Pvt Ltd is engaged in the manufacturing of sponge iron. The aggregate installed capacity of the group for sponge

iron is 3,30,000 MTPA and for billets is 78,990 MTPA. The group has also formed various Joint Ventures to carry on coal mining and handling activities for Mahanadi Coalfields Ltd.

Brief Financials (Rs. crore) (Standalone)	FY20(A)	FY21 (A)	FY22 (A)	H1FY23 (Prov.)
Total operating income	0.00	0.00	NA	NA
PBILDT	-0.17	-0.05	NA	NA
PAT	0.19	0.09	NA	NA
Overall gearing (times)	3.43	3.33	NA	NA
Interest coverage (times)	NM	NM	NA	NA

A: Audited, Prov.: Provisional, NA: Not Available; NM: Not Meaningful

Brief Financials (Rs. crore) (Combined)	FY20(UA)	FY21 (UA)	FY22 (UA)	H1FY23 (Prov.)
Total operating income	593.89	595.60	NA	NA
PBILDT	22.39	33.43	NA	NA
PAT	10.37	13.29	NA	NA
Overall gearing (times)	0.42	0.37	NA	NA
Interest coverage (times)	2.12	3.55	NA	NA

UA: Unaudited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Annexure -3

Complexity level of various instruments rated for this company: Annexure- 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	IS IN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantee		-	-	-	54.78	CARE BB+; Stable; ISSUER NOT COOPERATING*
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	Withdrawn^

*Issuer did not cooperate; Based on best available information

^Unsupported rating has been withdrawn as analytical approach has been changed to combined from Credit Enhancement

Annexure-2: Rating history for the last three years

Sr. No	Name of the Instrument / Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT-Bank Guarantee	LT	54.78	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (14-Sep-21)	1)CARE BBB (CE); Stable; ISSUER NOT COOPERATING* (08-Mar-21)	1)CARE BBB+ (CE); Stable (23-Mar-20)
2	Un Supported Rating-Un Supported Rating (Long Term)^	LT	-	-	-	1)CARE BB+; ISSUER NOT COOPERATING* (14-Sep-21)	1)CARE BB+; ISSUER NOT COOPERATING* (08-Mar-21)	1)CARE BB+; Stable (23-Mar-20)

*Issuer did not cooperate; Based on best available information

^Unsupported rating has been withdrawn as analytical approach has been changed to combined from Credit Enhancement

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Non-fund-based - LT-Bank Guarantee	Simple
2	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Mr. Mradul Mishra

Contact No.: +91-22-6837 4424

Email ID – mradul.mishra@careedge.in

Analyst Contact

Ms. Shachee Vyas

Contact No.: +91-79-4026 5665

Email ID – shachee.tripathi@careedge.in

Relationship Contact

Name -Lalit Sikaria

Contact no.: +91-033- 40181600

Email ID: lalit.sikaria@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**