

**Minsol Limited**  
December 19, 2022

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Ratings	Rating Action
Long Term Bank Facilities	23.71	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>30.71</b> <b>(₹ Thirty Crore and Seventy-One Lakhs Only)</b>		

\* Issuer did not cooperate; Based on best available information  
Details of instruments/facilities in Annexure-1.

**Detailed rationale and key rating drivers**

CARE had, vide its press release dated June 10, 2020, placed the rating(s) of Minsol Limited (ML) under the 'issuer non-cooperating' category as ML 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. ML continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated August 10, 2022; August 20, 2022; August 30, 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which however, in CARE'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 continue to derive strength from experienced promoters with long track record of operations, reputed customer profile and long-term mining contracts with escalation clause, moderate financial performance in FY22 (refers to the period April 1 to March 31) along with low debt levels.

The ratings, however, remain constrained by relatively small scale of operation, capital intensive nature of business, risks of delay in project execution, risks regarding non-fulfilment of the guaranteed mining quantity and regulatory nature of the mining sector.

**Detailed description of the key rating drivers**

At the time of last rating on September 24, 2021, the following were the rating strengths and weaknesses (updated for information available from Registrar of Companies):

**Key Rating Weaknesses****Small scale of operation**

The operating income of ML has declined to Rs.85.31 crore in FY22 from Rs.166.63 crore in FY21. The company continues to remain a relatively small player in the mining space. The company, as a part of growth initiatives, has deployed another machine at Sharda mines of South-Eastern Coalfields Ltd (SECL) which commenced operation from February 2019 onwards and has also signed an agreement with ECL which is expected to start operations from September 2020.

**Capital intensive nature of business**

The operation of the company is capital intensive in nature as the company has to continuously incur capex for procuring heavy mining equipment (including spare parts and accessories) for smooth execution of the committed mining contracts. The company has incurred Rs.48 crore during FY19 towards deployment of additional machinery at Sharda OC Mines from February 2019 onwards in view of increase in production requirement in 8th APP. Further ML has entered into a long-term coal-mining

contracts with ECL for 7 years against which the company proposes to procure heavy mining equipment and accordingly proposes to expend around Rs.60 crore by the end of H1FY21 (Rs.25 crore has already been advanced in FY20).

#### **Risks regarding non-fulfilment of the guaranteed mining quantity**

As per the terms of mining contract with SECL, TSL & ECL, ML has a minimum commitment to extract a particular quantity of coal for any respective annual production periods. Non-fulfilment of the minimum production commitment attracts penalty. The company has generally been able to meet the minimum committed production with very slight deviation here and there and accordingly ML has paid a penalty of only Rs.0.99 crore in the last four years (till FY19) against work execution of more than Rs.450 crore.

#### **Delay in commercial operations in mining at Eastern Coalfields Limited (ECL)**

ML has entered into long term coal-mining contracts with ECL wherein the mining work was expected to start from January, 2020. However, the necessary approvals from the mining authority are more or less in place now and ML proposes to start the preparatory work by May 2020 (subject to softening of the on-going pandemic across the globe) with expected commercial operations by September 2020.

#### **Regulatory risk in the mining sector**

The mining environment in India has been highly uncertain with respect to issues like illegal mining and risk attached to mining activities of its client due to sudden change in government policies. However, majority of the contract for ML is from CIL and its subsidiaries and CIL being a Government of India undertaking so the risk is moderated to a large extent.

#### **Key Rating Strengths**

##### **Experienced promoters with long track record of operations**

The company has a successful track record of three decades in trading of spare parts of heavy equipment and about nine years in high-wall mining. The day-to-day affairs of the company are looked after by Mr. Songit Kumar Bagrodia under the guidance of his father, Mr. Vinod Kumar Bagrodia (first generation promoter).

##### **Reputed customer profile**

The company derives its revenue mainly from mine developer cum operator (MDO) activities. ML has long term mining contract with SECL and Tata Steel Ltd (TSL). The mining contract with SECL has entered its final year of contracted period (i.e., 9th Annual Production Period) in March 2020 (subject to extension of 8th APP). Ability of the company to secure the bid for Sharda OC mines of SECL after the expiry of the current contract will remain a key rating sensitivity. Further, the company has tendered for mining at two locations of Eastern Coalfields Ltd. (ECL) awaiting final nod for commencement of mining activities.

##### **Long term mining contract with escalation clause**

ML had entered into long term mining contracts with SECL & TSL and has also signed a new mining contract with ECL. A price variation clause is included in all the contracts based on various factors like high-speed diesel retail prices, wholesale price index, consumer price index, minimum wage circular, etc. Long-term mining contracts coupled with escalation clause ensure stability of the revenue & profitability stream in the future.

##### **Moderate financial performance in FY22 along with low debt levels**

ML earned a PBILDT and PAT of Rs. 21.14 crore and Rs. 10.40 crore respectively in FY22 (Rs. 78.01 crore and Rs. 44.83 crore respectively in FY21) on a total operating income of Rs. 85.31 crore in FY22 (Rs. 166.63 crore in FY21) However, the entity has substantially reduced the debt levels to Re.0.93 crore.

**Analytical approach:** Standalone

#### **Applicable criteria**

Policy on default recognition  
Rating Outlook and Credit Watch  
Policy on Withdrawal of Ratings  
Financial Ratio- Non-Financial Sector  
Rating Methodology- Manufacturing Companies  
Liquidity Analysis of Non-Financial sector  
Short- Term Instruments

## About the company

ML formerly known as Cuprum Bagrodia Ltd., incorporated in January 1983 by the Bagrodia family of Kolkata, is engaged in high-wall coal mining services. Presently, the company is providing these services at Sharda Open Cast (OC) Mines, Madhya Pradesh of SECL and West Bokaro Colliery (WBC), Jharkhand of TATA Steel Ltd (TSL). Initially, ML was in trading of spare parts of heavy earth-moving machineries (mainly equipment pertaining to mining operations – Excavators, Bull Dozers, Dump Trucks etc.) manufactured by Komatsu/BEML. From March 2011, it forayed into high-wall mining activities on behalf of SECL for coal mining at Sharda OC Mines, Madhya Pradesh. The mining in WBC for TSL commenced from May 2016.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	166.63	85.31	NA
PBILDT	78.01	21.14	NA
PAT	44.83	10.40	NA
Overall gearing (times)	0.01	0.00	NA
Interest coverage (times)	622.12	36.83	NA

A: Audited; UA: Unaudited; NA: Not available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated facilities:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

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

### Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March, 2021	11.71	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	2.25	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	4.75	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

\* Issuer did not cooperate; Based on best available information

### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ 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	Fund-based - LT-Term Loan	LT	11.71	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (24-Sep-21)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (23-Mar-21)	-

							2)CARE A-; Stable (03-Apr-20)	
2	Fund-based - LT- Cash Credit	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (24-Sep-21)	1)CARE BBB+; Stable; ISSUER NOT COOPERATING * (23-Mar-21) 2)CARE A-; Stable (03-Apr-20)	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	2.25	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (24-Sep-21)	1)CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING * (23-Mar-21) 2)CARE A-; Stable / CARE A2 (03-Apr-20)	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	4.75	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (24-Sep-21)	1)CARE BBB+; Stable / CARE A3+; ISSUER NOT COOPERATING * (23-Mar-21) 2)CARE A-; Stable / CARE A2 (03-Apr-20)	-

\* Issuer did not cooperate; Based on best available information

### Annexure-3: Detailed explanation of the covenants of the rated facilities: Nil

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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 instruments:** CARE Ratings 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

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