KBP Mining Private Limited

December 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	256.38	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of KBP Mining Private Limited (KBMPL) continues to factor in the strong promoter group with extensive experience and track record in the infrastructure sector, operational and financial linkages derived from the parent i.e. Power Mech Projects Limited (PMPL) (rated CARE A+; Stable / CARE A1), with management and financial support expected form the parent entity, given the sponsor support undertakings extended for both under construction and operational stage.

The rating also derives strength from the concession agreement with Central Coalfields Limited (CCL) for a period of 25 years, with assured off-take and fixed mining fees along with Y-on-Y escalation, achievement of financial closure, and satisfactory debt coverage metrics.

The above strengths are however, tempered by the inherent project risk associated with the nascent stage of execution, significant cost yet to be incurred along with relatively high stripping ratio. CARE Ratings Limited (CARE Ratings) understands that the company has received majority of the approvals required with operations expected to commence from Q4FY25. Timely commencement of operation as envisaged would remain essential.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors:

- Completion of project and generation of envisaged revenue/profitability
- Improvement in debt coverage with ramping up of operations post commencement

Negative Factors:

- Cost and / or time overrun in the project without adequate funding by sponsor
- Deterioration in credit profile of the sponsors

Analytical approach: Standalone – Factoring in the financial and operational linkages with the parent company i.e., Power Mech Projects Limited (PMPL)

Outlook: Stable

The Stable outlook is based on expectations of project completion within the scheduled timeline as well as business growth supported by the strong and experienced promotor group i.e., PMPL.

Detailed description of key rating drivers:

Key strengths

Strong promotor group with expected sponsor support

Power Mech Projects Limited (PMPL) is primarily engaged in the business of providing engineering and construction services with focus on power and infrastructure sector. PMPL has diversified its operations across a range of sectors like railways, Transmission and Distribution (Electrical), water supply projects, FGD, other civil work, etc. and operation as a Mining development and Operator (MDO) is relatively new. The risk is partly mitigated by way of experience of the other sponsor i.e. AMR India Limited who possess specific MDO experience in the project Tadicherla Mine of Telangana State Power Generation Corporation Limited. The Kalyaneswari Tasra Mining Private Limited which is a brown-field project operated by PMPL as an MDO has also achieved operational status in FY24.

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

KPB mining shares the operational, financial, and managerial linkages with PMPL. PMPL has provided sponsor support in the form of Corporate Guarantee for the debt availed by KBMPL and undertaking to cover cost overrun. CARE Ratings Ltd. (CARE Ratings) expects PMPL to provide support to KBPMPL with the latter being a subsidiary with majority shareholding with PMPL and hence the latter has moral and legal obligations towards the same.

Long term contract with CCL

KBPMPL has entered into long term agreement with Central Coalfields Limited (CCL) for a period of 25 years with mining plan approved at 5 MTPA (post ramping up of operations in 3 years) which has estimated mineable reserves of about 114.60 MT. The price volatility risk is also covered as the contract also provides for escalation above the base mining price. The total mineable reserves have been reduced from 149.65 MT to 114.60 MT, as per the revised mine plan due to non-receipt of forest clearance of 151 Ha of forest land. However, this does not impact the 25-year term agreement with CCL. The extractable coal for the period remains constant despite the reduction of forest land, thus, easing the process of obtaining clearances from various departments. The additional area can be mined, upon extension of the contract for 10 years. Thus, there is no change in cost of the project. Also, the tenure of the debt is around 8 years and on the account of the extension in mining there is no impact on the debt servicing capability of the company. On account of delay in receipt of approvals, there is a shift in appointment date from October 01, 2022, to May 23, 2024.

KBPMPL has secured both Stage-I and Stage-II forest clearances, environmental clearance, and seam-opening clearance among the major approvals, and has begun the tree felling. The company plans to start Overburden (OB) removal in December 2024, with coal production expected by February 2025.

Long tenure of debt providing satisfactory debt Coverage

The debt availed from Power Finance Corporation needs to be repaid over a period of 8 years after 15 months moratorium period from the Date of Commencement of Commercial Operations (DCCO). Due to the shift in the appointed date, the company has received approval from the lender to move the DCCO to December 2025, allowing repayments to start from May 2026. This provides a buffer for generation of sufficient funds for debt servicing obligations with satisfactory debt coverage. The loan agreement also stipulates maintenance of Debt Service Reserve Account (DSRA) for two quarters peak principal and interest providing additional liquidity cushion. One quarter DSRA is included in the project cost with the second quarter to be created out of project cashflows.

Key weaknesses

Nascent stage of project with execution risk

KBPMPL is exposed to the inherent project execution risk with the nascent stage of the project and with significant cost to be incurred. The total project cost is Rs.380.95 crore to be funded through debt of Rs.256.38 crore and balance through equity contribution by both sponsors. Financial closure has been achieved with debt tied up with PFC. The company has incurred only approx. Rs. 24 crore till September end 2024 and hence a significant cost remains to be incurred.

CCL has completed acquisition of the whole 1,011.87 Ha. of land with both Stage I and Stage II Forest Clearance. KBPMPL has received majority of the approvals. Overburden removal is expected to be begin from December 2024 and the operations are expected begin from February 2025. The company has received tree felling permission for only the first year of mining. Hence, receipt of regulatory approvals/clearances at later stages within the envisaged timelines would be critical for the project progress.

Liquidity: Adequate

The liquidity position of the company is adequate as KBPML does not have any debt obligation over the near term owing to the construction & moratorium period and the tenor of the debt repayment is spread over 8 years with 96 equal monthly principal repayments post 15 months from DCCO. DSRA to be created and maintained for an amount equivalent to debt obligations for 6

months peak debt with project cost covering 3-month debt servicing and balance from project cashflows. The liquidity position also derives comfort from strong parentage i.e., PMPL.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Project stage companies
Infrastructure Sector Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

KBP Mining Private limited is a Special Purpose Vehicle (SPV) promoted by Power Mech Projects Limited (PMPL) (rated CARE A+; Stable / CARE A1) and AMR India Limited (AMR), for the Development and Operation of Kotre-Basantpur Pachmo Opencast coal project, located in West Bokaro Coalfield (Jharkhand), with a production capacity of 5 million tonnes per annum (5 MTPA) for a period of 25 years on Mine Developer cum Operator (Mine Operator) mode. PMPL hold 74% shareholding, and the rest (26%) is held by AMR India Limited.

The project has total Extractable Coal Reserves of 114.60 million tonne (MT) and Total Overburden to be removed is 538.41 MCum, making the Average Stripping Ratio 1: 4.95 cum per tonne of coal.

Brief Financials: Not Applicable as commercial operations have not started

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31/03/2033	256.38	CARE BBB+; Stable

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	256.38	CARE BBB+; Stable	-	1)CARE BBB+; Stable (09-Oct-23)	-	-

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

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About us:

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