

Mahavir Coal Resources Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	26.01	CARE BBB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB; Stable
Long-term / Short-term bank facilities	68.99 (Enhanced from 63.99)	CARE BBB-; Stable / CARE A3	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB; Stable / CARE A4
Long-term bank facilities	-	-	Withdrawn [^]

Details of instruments/facilities in Annexure-1.

[^]Withdrawal based on the company's request since it has not availed term loans against the proposed facility of ₹5 crore rated in the last review.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Mahavir Coal Resources Private Limited (MCRPL) factors in availability of adequate information to undertake a detailed review of ratings, and considers the company's experienced promoters and its established operations in coal trading and logistics / transportation business, its healthy profitability, moderate capital structure and adequate liquidity despite some moderation considering forfeiture of deposits against termination of coal block contract.

However, ratings are constrained considering profitability vulnerable to volatile coal prices and foreign exchange rate fluctuations, intense competition in coal trading business with vulnerability to regulatory risk and a reputed-yet-concentrated client base. Ratings also take cognisance of decline in scale of operations of MCRPL in FY24 (FY refers April 01 to March 31) due to a competitive industry scenario.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained healthy volume-based growth in scale of operations along with maintenance of healthy profitability and comfortable capital structure.

Negative factors

- Moderation in scale of operations with TOI falling below Rs.200 with any major moderation in profitability with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin falling below 8% on sustained basis
- Any major debt funded capex resulting into moderation in capital structure and/or liquidity

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Rating's expectations that the company shall sustain its credit risk profile in the near-to-medium term with growth in scale and moderate profitability and capital structure, aided by its established operations in the coal industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of operations in the industry

The entity was originally established in 1990 as a proprietorship concern by Uttam Chand Jain and the firm was reconstituted as a private limited company in 2008. Uttam Jain has an experience of over four decades in the coal trading business. He handles overall operations. His sons, Anurag Jain and Anuj Jain have been associated with this business for over 20 years. The management is supported by a sizeable team of professionals to execute orders in a timely manner.

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

Healthy profitability, though scale remains moderate

MCRPL's scale of operations stood moderate at ₹286.12 crore in FY24, moderated from ₹732.69 crore in FY23 considering a competitive industry scenario resulting in a dip in sales volume by ~29% in the year and decline in income from transportation services. In FY23, the company procured imported coal (from local traders) for sales mainly to Jhajjar Power. Hence, average price of procurement and sale was higher in the year, which normalised in FY24.

MCRPL's PBILDT margin remained adequate at 10.36% in FY24 (PY:12.92%), better than industry peers owing to its presence in transportation business and value-added services in coal trading. While company registers majority (60-70%) revenue from coal trading, transportation of coal remains margin accretive.

In H1FY25, the company reported sales of ₹152 crore supported by growth in sales volume and is expected to register TOI of ~₹300 crore for full year FY25.

Moderate capital structure and debt coverage indicators

The company's capital structure stood moderate with an overall gearing of 0.10x with no major term debt outstanding as on March 31, 2024, and moderate utilisation of working capital limits for coal procurement. The company's net worth stood at ₹266.51 crore at FY24 end.

Debt coverage indicators stood comfortable marked by an PBILDT interest coverage of 14x (PY:77x) and total debt to gross cash accruals (TD/GCA) of 1.14 years (PY: 0.01 years) in FY24.

Key weaknesses

Termination of coal mining project

As noted in the last review, MCRPL was allotted a coal mine in FY23 for commercial mining, which was expected to generate revenue from FY26 onwards. However, per the letter dated December 01, 2023, by Ministry of Coal, this project was terminated considering delay in submission of performance bank guarantee (PBG) of ₹275 crore, despite MCRPL having been provided with sufficient extension in time limit per standard of procedures (SOP) of the Ministry. The bid security, fixed asset cost and first instalment of upfront amount to the tune of ₹20 crore, ₹31 crore, and ₹25 crore respectively, submitted by MCRPL, were forfeited as damages by Ministry of Coal. Consequently, the company's liquidity, which stood sizeable at over ₹75 crore at FY23 end, moderated to ~₹30 crore at FY24 end. MCRPL had submitted a writ petition against the termination in Bombay High Court, which was dismissed per an order copy dated March 21, 2024. Adjusting the company's net worth for the forfeited amount, it stood moderate at ₹190.51 crore as on March 31, 2024.

Going forward, foray in projects adversely impacting the company's capital structure or liquidity profile shall remain crucial from credit perspective.

Profitability susceptible to volatile coal prices and foreign currency exchange rates

MCRPL is engaged in trading coal and presently procures coal mainly from auction of coal supplies by Coal India Limited (CIL) and its subsidiaries. It inherently remains exposed to sharp fluctuation in coal prices, which have historically remained volatile. Several factors affect coal prices, including domestic and global demand-supply scenario, logistics constraints in transportation and forex rates. Company has been procuring coal from domestic market, however, depending on requirement and pricing, it might procure the coal from global markets. Accordingly, sharp adverse fluctuations in forex prices may affect the company's profitability, depending on its ability to pass on the increase to its customers.

Inherent risk associated with trading business, intense competition, and regulatory risk

The company is exposed to competition in the industry with improved availability of domestic coal and low entry barriers. In recent years, government has undertaken reforms to improve the domestic production of coal to limit imports, which may impact operating performance of players in the coal trading business. Government regulations also play a significant role in the industry as changes in duty structures or regulations on trade of coal could impact revenue and profitability of industry players.

Liquidity: Adequate

The company's liquidity remains adequate with meagre scheduled repayment obligations and moderate utilisation of fund-based limits, and availability of a moderate free cash / liquidity investments.

The company's operating cycle stood elongated at 238 days in FY24 (PY: 62 days) with a sizeable collection period of 255 days (PY: 75 days). This included outstanding debtors of over six months (and up to three years) amounting to ₹29.91 crore as on March 31, 2024 (₹32 crore as on September 30, 2024). Such long-outstanding debtors and a concentrated customer base exposes the liquidity profile to risk of non-collections of the over-due amount, though counterparty credit risks remain limited owing to a reputed client base.

The company has a moderate inventory period of ~20-50 days with large chunk of the inventory directly shipped at client site. On the supplier side, the company avails credit period of ~45 days.

The company had moderate average utilisation of its fund-based facilities at ~60% for 12 months ended November 2024. The company also had free liquidity of ~₹29.80 crore as on March 31, 2024 (including line free fixed deposit of ₹4.87 crore and liquid investments in listed entities worth ₹12.13 crore), which moderated from over ₹75 crore at FY23 end owing to forfeiture of funds related to termination of the coal mining project.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services & supplies	Trading & distributors

Incorporated in 2008, MCRPL is engaged in trading and transporting coal. MCRPL was originally established in 1990 as a proprietorship concern by Uttam Chand Jain and the firm was reconstituted as a private limited company in 2008. MCRPL procures coal mainly through e-auction route from CIL and its subsidiaries and sells to entities engaged in power generation and manufacturing steel and cement in Central and Northern India. MCRPL's warehouses are in Katni (Madhya Pradesh), Bilaspur (Chhattisgarh), and Nagpur (Maharashtra).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	732.69	286.12	152.00
PBILDT	94.65	29.65	NA
PAT	68.34	19.54	NA
Overall gearing (times)	0.00	0.10	NA
Interest coverage (times)	77.32	14.02	NA

A: Audited, Prov.; Provisional, NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Nil

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-Cash Credit		-	-	-	26.01	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March, 2030#	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	68.99	CARE BBB-; Stable / CARE A3

#Proposed term loan rated as per last review

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	-	-	-	1)Withdrawn (05-May-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (25-May-22)	-
2	Fund-based - LT-Cash Credit	LT	26.01	CARE BBB-; Stable	1)CARE BB; Stable; ISSUER NOT COOPERATING* (31-May-24)	1)CARE BBB-; Stable (26-May-23)	-	-
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	68.99	CARE BBB-; Stable / CARE A3	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (31-May-24)	1)CARE BBB-; Stable / CARE A3 (26-May-23)	-	-
4	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (31-May-24)	1)CARE BBB-; Stable (26-May-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view 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.

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About us:

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