

Mahalaxmi Associates Private Limited

March 22, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	9.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short-term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	24.00 (Rs. Twenty-four crore only)		

*Issuer did not cooperate; Based on best available information

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Mahalaxmi Associates Pvt. Ltd. (MAPL) to monitor the rating(s) vide e-mail communications/letters dated February 17, 2022, March 11, 2022, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings and has not submitted the No Default Statement (NDS) for the past three months. 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. Further, MAPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on MAPL bank facilities will now be denoted as **CARE BB/CARE A4; ISSUER NOT COOPERATING***.

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 have been revised on account lack of availability of adequate information. The ratings are constrained by moderate capital structure and weak debt protection metrics, working capital intensive nature of operations, volatility associated with coal prices and intense competition from organized and unorganized players. The ratings, however, derive strength from its experienced promoters with a long track record of operations and stable financial performance in FY20 (refers to the period from April 01 to March 31) albeit low profitability margin.

Detailed description of the key rating drivers

At the time of the last rating on December 31, 2020, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Moderate capital structure and weak debt protection metrics

On a combined basis, the overall gearing ratio improved from 2.06x as on March 31, 2019, to 1.75x as on March 31, 2020, on the back of infusion of capital in Mahalaxmi Continental Limited (MCL) to the tune of Rs.2 crore coupled with reduction in debt in MCL. TD/GCA also stood weak at 19.98x as on March 31, 2020 (21.10x as on March 31, 2019).

On a standalone basis, the overall gearing stood stable at 1.56x as on March 31, 2020 (1.60x as on March 31, 2019). However, TD/GCA deteriorated from 23.51x as on March 31, 2019, to 28.31x as on March 31, 2020, on the back of increase in debt levels as well as decline in cash profits.

Working capital intensive nature of operations

The operations of the group are working capital intensive in nature as 41% of the capital employed is invested in net-working capital. On a group level, the collection period increased from 44 days in FY19 to 61 days in FY20. The impact of the same was partially offset by the decrease in inventory period from 78 days in FY19 to 58 days in FY20 which led to a stable operating cycle of 19 days in FY20 (19 days in FY19). Creditors' period stood stable at 100 days in FY20 (103 days in FY19). The gross working capital requirement is funded partly out of creditors and remaining out of bank borrowings.

On a standalone basis, the operating cycle of the company improved from 52 days in FY19 to 24 days in FY20 on the back of increase in creditor's period from 117 days in FY19 to 181 days in FY20. Inventory period stood high at 143 days in FY20 (139 days in FY19). However, collection period deteriorated from 30 days in FY19 to 62 days in FY20.

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

Volatility associated with coal prices

MAPL is engaged in trading of coal, the prices of which are volatile in nature. The company procures its traded goods (Steam Coal and Coking Coal) through imports directly from USA, South Africa, Indonesia and Singapore. The purchase quantity of the coal is decided by the management factoring in the demand from the clients. The import prices of steam coal and coking coal from USA have exhibited monthly volatility of 3.62% and 10.50% respectively for the last 12 months ended September 2020.

Intense competition from organized and unorganized players

The coal trading industry is fragmented with presence of large number of organized and unorganized players leading to high competition which further intensifies due to large gap in demand and supply of coal. The difference in demand and supply thus necessitates import of coal in order to bridge the gap.

Key Rating Strengths

Experienced promoters with long track record of operations

The company is into coal trading business since 1998 and thus has long track record of operations. Furthermore, Mr. Naveen Kumar Gupta (aged about 50 years), promoter, has more than two decades of experience in coal trading business. He looks after the overall management of the company.

The group is into coal trading business also through two other entities Mahalaxmi India Pvt Ltd (MIPL) and Mahalaxmi Continental Ltd. (MCL) and is also engaged in coke manufacturing, coal mining and trading of commodities through other group companies.

Stable financial performance in FY20 albeit low profitability margin

On a combined basis, the total operating income remained stable at Rs.612.58 crore in FY20 (Rs.595.23 crore in FY19). PBILDT margin also remained stable at 2.66% in FY20 (2.32% in FY19). Similarly, Interest coverage ratio remained at 3.75x in FY20 (3.51x in FY19). The group reported bad debts written-off of Rs.7.95 crore in FY20 as an extraordinary expense and non-operating income of Rs.3.54 crore in FY20. In FY20, the group reported stable level of GCA of Rs.5.64 crore vis-à-vis debt repayment obligation of Rs.0.57 crore. In 7MFY21, the group reported PBT of Rs.5.71 crore on total operating income of Rs.332.24 crore.

On a standalone basis, the total operating income declined by around 23% y-o-y to Rs.103.88 crore. However, PBILDT margin improved marginally from 1.61% in FY19 to 2.06% in FY20. Interest coverage ratio deteriorated from 1.89x in FY19 to 1.59x in FY20. In FY20, the company earned GCA of Rs.0.82 crore vis-a-vis nil debt repayment obligations. In 7MFY21, the company reported PBT of Rs.0.70 crore on total operating income of Rs.82.30 crore.

Analytical approach: Combined. CARE in its analysis has considered the combined business and financial risk profiles of Mahalaxmi Associates Private Limited, Mahalaxmi India Private Limited and Mahalaxmi Continental Limited as they are closely held entities with significant ownership & control by common promoter family, engaged in same line of business and thus having strong operational & financial linkages.

Applicable Criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Criteria for Short Term Instruments](#)

[Wholesale Trading](#)

About the Company

Incorporated in October 1998, Mahalaxmi Associates Private Limited was promoted by Mr. Naveen Kumar Gupta of Guwahati, Assam. Mr. Gupta has more than two decades of experience in coal trading business. He looks after the overall management of the company. The company has been engaged in coal trading activities. The company imports Coal directly from USA, South Africa, Indonesia and Singapore and sells them all over India.

Mahalaxmi Group is into coal trading business also through two other entities Mahalaxmi India Pvt Ltd and Mahalaxmi Continental Ltd. and coke manufacturing through Maa Kamakhya Coke Industries, Pride Coke Pvt Ltd. and Mahalaxmi Wellman Fuel LLP. The group is also into coal mining business in Nagaland through Mahalaxmi Mining Pvt. Ltd. This apart, the group through Mangalam Enterprises is also involved in trading of rice, pulses, sugar, mustard oil and other dairy products.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021
Total operating income	134.50	103.88	NA
PBILDT	2.17	2.15	NA
PAT	0.89	0.78	NA
Overall gearing (times)	1.60	1.56	NA
Interest coverage (times)	1.89	1.59	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Non-cooperation with ICRA Ratings vide press release dated June 25, 2021.

Any other information: Not Applicable

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

Complexity level of various instruments rated for this company: Annexure-3

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Letter of credit		-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	9.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating history of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+ (31-Dec-20) 2)CARE A4+; ISSUER NOT COOPERATING * (22-Sep-20)	1)CARE A4+ (31-Jul-19) 2)CARE A4+ (26-Jul-19)	-
2	Fund-based - LT-Cash Credit	LT	9.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (31-Dec-20) 2)CARE BB; Stable; ISSUER NOT COOPERATING * (22-Sep-20)	1)CARE BB+; Stable (31-Jul-19) 2)CARE BB+; Stable (26-Jul-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-4: 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 Ratings Ltd. 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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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

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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.

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