AMPL CLeantech Private Limited

March 06, 2019

Ratings

Facilities@	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	254.18 (reduced from Rs.262.0 crore)	**'CARE A (SO); Stable' [Single A (Structured Obligation); Outlook: Stable]**	**Reaffirmed**
Long/Short term Bank Facilities	50.00	**CARE A (SO); Stable/CARE A2+ (SO)' [Single A (Structured Obligation); Outlook: Stable/A Two Plus (Structured Obligation)]**	**Reaffirmed**
Total	**304.18 (Rs. Three Hundred four crore and eighteen lakh only)**		

Details of facilities in Annexure-1

@backed by unconditional & irrevocable guarantee of Narbheram Vishram

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of AMPL Cleantech (P) Limited (AMPL) are based on the credit enhancement in the form of unconditional and irrevocable guarantee provided by Narbheram Vishram [NV; rated CARE A; Stable/ CARE A2+] for the rated bank facilities of AMPL.

The rating of NV draws strength from the experience of the partners, established group with long track record of operation, access to quality iron-ore with adequate reserves and satisfactory financial risk profile of the firm with comfortable capital structure and debt coverage indicators.

However, the rating is constrained by NV's constitution as a partnership firm, increasing exposure in the group entities, regulatory risk in mining sector and lease tenure expiry risk.

The rating is sensitive to renewal of mining lease in the future, firm/group's venture into debt laden capex and extent of support to group companies.

Detailed description of the key rating drivers – Narbheram Vishram

Experienced partners and established group with long track record of operations: Atha group is engaged in the business of iron-ore mining for more than six decades. Over the last few years, the group has diversified into trading of minerals (iron-ore, coal, coke & others), renewable power generation (wind & solar), manufacturing of sponge iron & calcined petroleum coke and others. The partners, Mr. K. K. Atha and Mr. D. K. Atha, have over 40 years of experience in mining and trading of iron & steel products.

Access to quality iron-ore mine with adequate reserves: The firm has iron-ore mines of high quality (Haematite ore lumps and fines with 62%-65% Fe content and lumps with 65% and above), with approved proven reserves of more than 10 years as per current production run rate. Better percentage of higher-realization lump generation and high grade ore in terms of Fe content fetches premium price. The low moisture content also facilitates lowers transportation costs.

Satisfactory financial risk profile with comfortable debt coverage indicators: During FY18, NV registered net sales of Rs.497.94 crore resulting in y-o-y growth of ~34% over FY17, primarily supported by favourable market scenario which led to significant improvement in the realization. Accordingly the PBILDT margin improved to 58.18% in FY18 (as against 50.02% in FY17), driven by higher iron ore prices (average realization up by ~40% y-o-y). Despite increase in the interest cost (from Rs.29.32 crore in FY17 to Rs.41.24 crore in FY18) due to availment of term loan to pay the penalty in lieu of the excess iron ore lifted post the year 2000-01, interest coverage improved from 6.33x in FY17 to 7.02x in FY18 due to higher PBILDT levels. PAT levels moderated due to payment of penalty of Rs.236 crore, however, adjusted GCA continues to remain comfortable at Rs.214.14 crore in FY18. The firm had availed term debt for the solar projects which during March 2018 were transferred to AMPL Cleantech (P) Ltd. (AMPL) along with the operational solar assets of 55MW. Accordingly the overall gearing (excluding corporate guarantee and 100% investment backed debt) improved and remained comfortable at 0.26 times as on March 31, 2018 vis-à-vis 0.72 times as on March 31, 2017. Till December 31, 2018, firm has achieved a sales turnover of Rs.402.6 crore with PBILDT of Rs.222.32 crore.

Comfortable liquidity: NV adjusted GCA continues to remain comfortable at Rs.214.14 crore in FY18 (Rs.154.22 crore in FY17) vis-à-vis debt repayment obligation in FY18. The current ratio stood at 2.71 as on March 31, 2018. The group has unencumbered cash and bank balance/ liquid investments of Rs. 215.50 crore as on January 31, 2019.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Key Rating Weaknesses

Constitution as a partnership firm: NV's legal status as a partnership firm exposes it to the risk of withdrawal of capital by the partners.

Exposure in group companies: NV had investment of Rs.82.2 crore in Petro Carbon & Chemicals Pvt. Ltd. (PCCPL; CARE BBB-, Stable/A3) and Narbheram Power and Steel Private Limited as on March 31, 2018. Further during FY18, the firm has invested Rs.150 crore in AMPL as part of slum sale agreement for sale of solar assets (total investments accounting for ~56% of its Networth as on that date). Additionally, NV has provided corporate guarantee of Rs.415.02 crore (Rs.43.5 crore as on Mar 31, 2017) for the bank facilities availed by PCCPL and AMPL as on March 31, 2018 and Rs.92.5 crore for NVR Renew Pvt Ltd as on June 30, 2018

During the current fiscal, NV through its group entity Scavo Steel Pvt Ltd (SSPL) and in partnership with the Misra Group (flagship company - Ghanashyam Misra & Sons Pvt Ltd rated CARE A-; Stable) has acquired Orissa Manganese & Minerals Ltd (OMML) at an acquisition price of Rs. 321.19 cr in NCLT bidding during April 2018. OMML has a pellet plant of 1.2 mn p.a. capacity in Jamshedpur, six manganese mines in Sundergarh, Odisha with a capacity of 0.33 MTPA & one iron ore mine in West Singhbhum, Jharkhand with a capacity of 2 MTPA. As per NCLT order, pellet plant has been demerged into a separate entity, Amalgam Steel Pvt Ltd (100% subsidiary of SSPL) while OMML holds mining business (75% shareholding in OMML owned by SSPL & 25% owned by creditors). To fund this acquisition, Atha Group has raised Rs.125 cr (Rs.105.0 cr outstanding as on Jan 31, 2019) of term debt in NV in the current fiscal and remaining through existing cash/bank balance of the group. Upfront payment of Rs.250 cr and payment to operational creditors has already been made. The pellet plant is operational (operating at ~95% capacity) and would be utilizing iron ore fines from both Misra & Atha Group iron ore mines in Orissa (mines are located 70km from the pellet plant). Iron ore & manganese mines of OMML are currently shut down due to non-payment of compensation amounting to Rs. 86.7 cr pertaining to extra production done between 1999-00 and 2010-11 over and above EC. The acquirer would not be liable for the above mentioned compensation amount as per NCLT order.

The Atha Group in 50:50 partnership with Misra Group has emerged as highest bidder for Adhunik Alloys & Power Ltd (AAPL) at an acquisition price of Rs.441 cr as per NCLT order dated Dec 7, 2018. AAPL has a sponge iron plant (210,000 MTPA), billet plant (158,400 MTPA) and captive power plant of 30MW in Jamshedpur (next to pellet plant of OMML). The entire payment was made on March 4, 2019. The sponge iron & billet plants are running at 117% & 83% capacity utilization. In 9MFY19, AAPL has reported a PBT of Rs.89.58 cr on income from operations of Rs.538.39 cr.

Moreover, the Group's existing iron ore mines are located only 70km from the acquired pellet/steel plant. These acquisitions would help the group to forward integrate its operations (including utilizing its existing inventory of iron ore fines from their mines).

Regulatory risk with respect to mining coupled with lease tenure expiry risk: The mining sector is prone to regulatory risk. Government has imposed a penalty of Rs.236 crore for recovery of 100% compensation in lieu of the excess iron ore lifted by NV in Odisha post 2000-01. The firm has already paid the said amount in the month of December 2017. The credit risk profile continues to remain susceptible to any changes in the government policy with regard to validity/renewal/ extension of mining lease/ license.

The mining lease of the mine is set to expire on Mar 31, 2020. Majority of term loan is however scheduled to be paid by Feb 2020, i.e. before the expiry of the lease tenure. The management has indicated that they would participate in the mining bids if existing lease tenure is not extended.

Analytical approach: Credit enhancement in the form of guarantee extended by Narbheram Vishram.

Applicable Criteria

CARE's Policy on Default Recognition
Criteria on assigning Outlook to Credit Ratings
Financial ratios – Non-Financial Sector
Rating Methodology- Factoring linkages in Ratings
Criteria for Short Term Instruments

About the Company - AMPL

AMPL (earlier known as Atha Mines Pvt. Ltd), belonging to the Atha group of Kolkata, was promoted by Mr. Kishore Kumar Atha and his brother Mr. Dilip Kumar Atha in 2006. The company commenced operation from September, 2009 and was engaged in trading of mining products (iron ore and coal & coke). Later in FY18, the company was engaged in EPC work for one of its group company, NVR Renew Pvt. Ltd. which is currently implementing 20 MW solar power capacity in Holalkere, Karnataka.

AMPL has acquired four operational Solar Power Assets (55MW) from NV, under Slump Sale Agreement dated March 28, 2018.

Brief Financials (Rs. crore)	FY17 (Audited)	FY18 (Audited)
Total operating income	2.1	107.55
PBILDT	-1.8	14.31
PAT	2.8	13.70
Overall gearing (times)	1.04	1.56
Interest coverage (times)	NM	4.19

About the Guarantor – NV

NV was formed as a partnership firm in 1953 by the Kolkata-based Atha Group. The firm is the flagship entity of the group. NV is primarily engaged in iron-ore mining in Keonjhar district of Odisha, with annual approved production capacity of 2.2 MTPA. The Fe content of iron-ore fines is in the range of 62-65% and lumps is 65% and above.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	370.8	497.9
PBILDT	185.4	289.7
PAT	289.8	36.75
Overall gearing (times)	0.72	0.69
Interest coverage (times)	6.33	7.02

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Dec 31, 2031	254.18	CARE A (SO); Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	50.00	CARE A (SO); Stable / CARE A2+ (SO)

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	-	-	1)Withdrawn (12-Jan-16)
2.	Fund-based - LT-Term Loan	LT	254.18	CARE A (SO); Stable	1)CARE A (SO); Stable (16-Apr-18)	-	-	-
3.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	50.00	CARE A (SO); Stable / CARE A2+ (SO)	1)CARE A (SO); Stable / CARE A2+ (SO) (16-Apr-18)	-	-	-

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