AMPL Cleantech (P) Limited

April 16, 2018

Ratings

Facilities [@]	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	262	**'CARE A (SO); Stable' [Single A (Structured Obligation); Outlook: Stable]**	**Assigned**
Long/Short term Bank Facilities	50	**CARE A (SO); Stable/CARE A2+ (SO)' [Single A (Structured Obligation); Outlook: Stable/A Two Plus (Structured Obligation)]**	**Assigned**
Total	**312 (Rs. Three Hundred and Twelve crore only)**		

Details of instruments/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] 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, access to quality iron-ore with adequate reserves and satisfactory financial risk profile of the firm with comfortable capital structure and debt coverage indicators. The rating also factors in the sale of wind power projects in FY17 (refers to the period April 1 to March 31) and successful commissioning of the solar power projects (45MW) with satisfactory CUF since inception along with long-term off-take agreement in the form of Power Purchase Agreement (PPA). The rating also takes note of the transfer of the solar power assets to AMPL in March 2018.

However, the rating is constrained by NV's constitution as a partnership firm, exposure in group companies and regulatory risk in mining sector. The rating also takes note of the payment of penalty of Rs.236 crore by NV in December 2017 which was imposed on the firm as compensation in lieu of the excess iron ore lifted in Odisha post the year 2000-01. 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 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 coal mining, 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 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.

Successful commissioning of the solar power projects and transfer to AMPL

The firm, during FY17 & Q1FY18, had successfully commissioned 3 solar projects for a total project cost of Rs.356 crore financed out of debt of Rs.245 crore and balance out of internal accruals. NV signed PPAs with Madhya Pradesh Power Management Company Ltd. and Southern Power Distribution Company of Telangana Ltd. for 30MW (20MW + 10MW) and 15MW respectively. Further during Q2FY18 the company had purchased an operational solar asset of 10MW in Susner, MP. NV's solar projects registered satisfactory CUF since commercial operation date. The total solar capacity of the firm aggregating to 55 MW was transferred to AMPL in March 2018.

Satisfactory financial risk profile with comfortable debt coverage indicators

Net sales witnessed a y-o-y increase of ~8% in FY17 mainly due to additional revenue of Rs.16 crore in FY17 from the 35 MW of solar projects commissioned in FY17. Income from mining division however remained stable. This apart, NV operated 38 MW of wind assets (hived off during Dec.2016) which due to favorable weather conditions, has generated

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

revenue of Rs.21.6 crore in FY17 vis-à-vis Rs.14.8 crore in FY16. The firm has recognized profit of Rs.157.8 crore in FY17, from the sale of said wind assets. PBILDT and PAT margins improved to 49.01% & 53.65% in FY17. Despite increase in the debt levels as envisaged, mainly to fund the solar business, the overall gearing ratio, improved and remained comfortable at 0.72 times as on March 31, 2017 vis-à-vis 1.27 times as on March 31, 2016, with accretion of profits to Partner's Capital Account (especially from sale of wind assets in FY17). Interest coverage remained comfortable in FY17.

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 [NPSPL; Provisional CARE A (SO), Stable/A2+(SO)] as on March 31, 2017 (accounting for ~17% of its Networth as on that date). Further during FY18, the firm has invested Rs.150 crore in AMPL. Additionally, NV has operational linkages with its group companies and has provided corporate guarantee of Rs.124.25 crore (Rs.43.5 crore as on Mar 31, 2017) for the bank facilities availed by NPSPL & PCCPL and Rs.312 crore availed by AMPL.

Regulatory risk with respect to mining

The mining lease for the iron ore mine was granted in 1953 which was renewed on a time to time basis up to FY07. NV had applied for renewal of lease for a period of 20 years up to 2027, in 2007, and had been carrying out mining activities as 'Deemed Extension' of renewal as per Sub-rule 6 of Rule 24A of Mineral Concession Rules, 1960, until mining operations were suspended by the Apex Court in May, 2014. The firm had continued with its mining operations based on the policy of deemed renewal of the mining lease, which is a normal practice in iron ore mining industry. However, due to courts order the entire mining activities were shut down till May 2015; post which the firm had received necessary extension with regard to renewal of mining license for the next 5 years. The credit risk profile however continues to remain susceptible to any changes in the government policy with regard to validity/renewal/ extension of mining lease/ license.

The 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.

Analytical approach: Credit enhancement in the form of guarantee extended by NV

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 (A)	FY18 (P)
Total operating income	2.1	109.4
PBILDT	-1.8	-1.6
PAT	2.8	12.7
Overall gearing (times)	1.04	0.76
Interest coverage (times)	NM	NM

A: Audited P: Provisional NM: Not Meaningful

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)	FY16 (A)	FY17 (A)
Total operating income	344.7	370.8
PBILDT	107.5	181.7
PAT	60.9	289.8
Overall gearing (times)	1.27	0.72
Interest coverage (times)	6.42	7.11

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: 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	262.00	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	262.00	CARE A (SO); Stable	-	-	-	-
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)	-	-	-	-

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