

## Rating Report

### Brickwork Ratings assigns 'BWR B and A4' ratings<sup>1</sup> for Bank Loan facilities aggregating to ₹51.75 Cr of Aditya Coke Pvt Ltd (ACPL).

Brickwork Ratings has assigned following **Ratings**<sup>1</sup> for Bank Loan facilities amounting to ₹ 51.75 Cr of Aditya Coke Pvt Ltd (ACPL).

Facility	Limits (₹Cr)	Tenure	Rating
Fund Based Term Loan	8.00	Long Term	BWR B (Pronounced as BWR B) (Outlook-Stable)
Fund Based Cash Credit	12.75		
Non Fund Based Letter of Credit	16.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Non Fund Based Bill Discounting	15.00		
<b>Total</b>	<b>51.75</b>	<b>INR Fifty One Crores and Seventy Five Lakhs only</b>	

BWR has principally relied upon the audited financial results upto FY14, projections upto FY16, information / clarifications provided by the company from time to time.

The rating has, inter alia, factored in the competence and significant track record of management in the Coal and Coke Business, strong support from the promoters, forward and backward linkages with its subsidiaries and established market position. The rating is however constrained by the negative profit margins, negative debt servicing indicators, high gearing due to low Networth; inherent risks associated with the coal/coke business, dependency on the parent company for debt servicing and stressed liquidity position due to delayed realization of receivables.

#### Background:

Aditya Coke Pvt. Ltd. was incorporated in 2000 with an installed capacity to produce 96,000 MTPA production capacity of Low Ash Metallurgical (LAM) coke plant at Vill. Chopadva, Taluka Bhachau, Dist. Kutch, in the State of Gujarat. The company started its commercial production in the year 2006-07. Aditya Coke Pvt Ltd which was earlier held by Scorpio Energy Resources (P) Ltd, Haldia Coke and Chemicals Pvt Ltd acquired 88% of the shares in 2013-14 through Share Purchase Agreements for a value of Rs. 50.50 crores.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### **Existing Infrastructural Facilities**

In the existing LAM Coke making facilities there are 30 ovens equipped with coal tower on one end and chimney on the other end (height of 45 meters from ground level). The coal is charged into the oven using coal charging car. Coke pusher cum coal leveler car (1 no) operates from pusher side. Hot coke is discharged on to large slopped coke wharf. The hot coke is quenched with water using spray nozzles at fixed intervals. There are 30 coke ovens (each having length = 10 mtr, width = 2.24 mtr. and height of coal charge is up to 1.2 meter).

### **Availability of Raw Materials**

Coking coal is abundantly available locally, which can be used in manufacturing of LAM coke. Apart from this local availability the unit also imports coal, which will be coking as well as non – coking through nearest Sea Port of Kandla and Mundhra. Thus there will be a continuous supply of raw material to feed the plant requirements. Power consumption is 14 units per MT production. The power required is supplied by Paschim Gujarat Vij Company Ltd.

### **Group Profile:**

HCCPL is currently the controlling entity for the group's metallurgical coke and coal business. The group has four subsidiaries namely Ieager Minerals Inc. (IMI), Mississippi Minerals, Inc. (MMI), Wellman Coke India Limited (WCIL), Aditya Coke Pvt Limited (ACPL) and Ennore Coke Limited (ECL).

It operates captive mines through its subsidiaries, IMI and TAMI in United States of America. HCCPL is also the holding company of ECL and WCIL, which manufacture metallurgical coke. ECL's manufacturing facilities are also integrated with a 12-megawatt, co-generation power plant (through waste heat recovery). Apart from manufacture of coking coal, ECL and WCIL derive close to 80 per cent of their revenues from trading in coking coal and coal.

### **Financial Performance:**

During FY14, the net sales decreased to ₹283.27 Crores from ₹311.97 Crores in the previous year. The company's Net profit margin has decreased from -4.93% to -8.47 % in FY 14. Debt equity ratio has increased from 0.39 times in FY13 to 4.32 times in FY14 due to increased borrowings and decrease in net worth due to previous losses. The tangible net-worth stood at Rs. 10.80 crores as on 31-3-2014.

The operations have been stabilized and completely taken over by personnel of HCCPL and are expected to breakeven in FY15.

As per the unaudited financials for the quarter ended on 31<sup>st</sup> December 2014, the company has achieved a turnover of Rs 273.45crs and reported a PAT of Rs 1.01crs.

### Rating Outlook:

The rating reflects the position of the company in the Coal industry, experienced and competent management, strong forward and backward integration and the promoter Group support. Going forward, the company's ability to achieve breakeven by achieving projected revenues and improve its profit margins, debt servicing metrics and liquidity position and maintain operational efficiencies in the highly fragmented and regulated coal/coke business will be key rating sensitivities.

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**Annexure I: Profit and Loss Account of Aditya Coke Pvt Ltd**

<b>Crores</b>	<b>31-Mar-2012</b>	<b>31-Mar-2013</b>	<b>31-Mar-2014</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Gross Sales	171.36	312.31	285.73
Excise Duty/Sales Tax	0.00	0.34	2.46
Net Sales	171.36	311.97	283.27
Other Operating Income	0.08	0.00	0.00
Total Operating Income	171.43	311.97	283.27
Operating Expenses	168.98	324.05	308.48
OPBDIT	2.46	-12.08	-25.21
Depreciation/Amortization/Impairment	6.25	5.94	5.70
OPBIT	-3.80	-18.02	-30.92
Interest and Finance Charges	0.65	5.16	4.10
OPBT	-4.45	-23.18	-35.02
Non-Operating Income(Expenses)	5.15	0.65	0.67
PBT	0.71	-22.53	-34.35
Provision for Taxes	-0.08	-7.16	-10.36
PAT	0.79	-15.37	-24.00

**Annexure II: Balance Sheet of Aditya Coke Pvt Ltd**

<b>Crores</b>	<b>31-Mar-2012</b>	<b>31-Mar-2013</b>	<b>31-Mar-2014</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Liabilities			
<b>EQUITY AND RESERVES</b>	<b>50.39</b>	<b>35.03</b>	<b>10.80</b>
Share capital	50.50	50.50	50.50
Share Application money Pending allotment	0.23	0.23	0.00
Reserves and Surplus	-0.34	-15.70	-39.70
<b>Non-current liabilities</b>	<b>13.07</b>	<b>9.01</b>	<b>4.62</b>
Long-Term Borrowings	12.60	8.40	4.20
Long-Term Provisions	0.47	0.61	0.42
<b>Current liabilities</b>	<b>256.06</b>	<b>422.07</b>	<b>245.36</b>
Short-Term Borrowings	0.00	0.00	37.30
Current Portion Of Long Term Debt	4.48	5.43	5.17
Trade Payables	250.67	396.54	201.90
Other Current Liabilities	0.60	20.10	0.90
Short-Term Provisions	0.31	0.01	0.10
<b>Total Liabilities</b>	<b>319.52</b>	<b>466.11</b>	<b>260.78</b>
ASSETS			
<b>Non-current assets</b>	<b>45.09</b>	<b>50.06</b>	<b>57.85</b>
Net Fixed assets	44.60	42.48	39.79
Capital Work-In-Progress	0.00	0.00	0.07
Net Intangible assets	0.00	0.00	0.00
Deferred Tax Assets (Net)	0.15	7.31	17.72
Other Non Current Assets	0.34	0.26	0.27
<b>Current assets</b>	<b>274.43</b>	<b>416.05</b>	<b>202.93</b>
Inventories	53.09	80.61	89.03
Trade Receivables > Six Months	16.42	50.81	50.19
Trade Receivables < Six Months	182.27	252.23	38.29
Cash and Cash Equivalents	7.47	9.35	3.41
Short-Term Loans and Advances	9.33	15.48	13.30
Other Current Assets	5.84	7.57	8.72
<b>Total Assets</b>	<b>319.52</b>	<b>466.11</b>	<b>260.78</b>