

Press Release

M/s. Kamaljeet Singh Ahluwalia

December 17, 2018

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facilities – Term Loan	134 (present outstanding *)	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed and Withdrawn
	Total	134		

**Outstanding as on December 01, 2018*

Details of Facilities are in Annexure 1

Infomerics Valuation and Rating Pvt. Ltd had assigned a rating of **IVR BBB- with Stable Outlook (IVR Triple B minus with Stable Outlook)** to the Long Term Bank Facilities aggregating Rs.134 crore (present o/s) of M/s. Kamaljeet Singh Ahluwalia. The ratings have been subsequently withdrawn at the request of the company and on receipt of no-objection certificate from the concerned lenders.

Detailed Rationale

The reaffirmation of rating derives comfort from the firm's long presence in the market and experienced promoters, presence of healthy mining reserves, resourcefulness of proprietor, significant growth in operations and low gearing levels. However, the ratings are tempered by proprietary constitution of the firm, key man risks, customer concentration risk, regulatory risk, lease tenure expiry risk and substantial amount of advances to group companies. Sustainability of operations and profitability, working capital cycle management and regulatory landscape are the key rating sensitivities.

Key Rating Drivers with detailed description

Key Rating Strengths:

Long presence in the market and experienced promoters

Mr. Kamaljeet Singh Ahluwalia, the proprietor has long experience in iron ore mining and beneficiation. His experience of around 30 years in iron ore mining industry has enabled to establish healthy relationship with customers and logistic providers.

Presence of healthy mining reserves

The mining deposits available with the firm are around 173.59 million tonnes. This is significantly more than the firm's annual capacity for 2 years, which is the tenor of the rated loan.

Resourcefulness of Proprietor

The proprietor of the firm is very resourceful given that the firm was able to pay Rs.400 crore in FY18 to Govt. of Odisha from internal accruals and also prepay Rs.225 crore of the term loans availed from banks. The firm further repaid Rs.341 crores of the term loan in FY18 and FY19.

Significant growth in operations

The firm's sales increased by 66.91% during FY18 on account of increase in volumes and realisations.

Low gearing levels

The company has not availed any substantial debt during FY16-18. Thus, gearing and debt protection parameters are highly comfortable. The Term Loan of Rs 700 crore was availed in FY18 is for payment of dues as per Supreme Court directives to mining companies of which Rs225 crore is already paid from internal accruals. Further, Rs.341 crore is paid in FY18 and FY19. The overall gearing for FY18 is comfortable at 0.48x

Key Rating Weaknesses:

Proprietary Constitution of the firm

The firm KJS is a proprietary firm with Mr. Kamaljeet Singh Ahluwalia being the proprietor. The risk of withdrawal of capital always rests with this type of constitution.

Key Man Risks

The firm is run by Mr. Kamaljeet Singh Ahluwalia (aged 75 years). The entire management and decision making is concentrated with Mr. Kamal Jeet Singh Ahluwalia (though he is assisted at

times by Mr. Prashant Singh Ahluwalia who is his brother.) and do not appear to have succession plan. This imparts keyman risk to the firm.

Regulatory risk

The mining sector is highly prone to regulatory risk. The firm's mine was closed during May14-June 15 on account of Supreme Court's order. Further as per the Supreme Court order, the firm had to pay the Govt. of Odisha Rs.1074 crore for illegal mining during 2001-10.

Lease tenure expiry risk

The mining lease of the firm is to expire in 2020. However, the management has indicated that it will be extended by five years. The term loan is however scheduled to be paid by December 2019, i.e. before the expiry of the lease tenure.

Substantial amount of advances to group companies

The firm has advances of Rs.817.08 crore to sister companies of the Ahluwalia group. This works to 82.38% of the tangible net worth as at March 31, 2018.

Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The firm has been earning healthy EBIDTA over the past few years. It has prepaid term loans of Rs.341 crore in FY18 and FY19. This provides fair degree of liquidity comfort to the company.

About the Company

M/s Kamaljeet Singh Ahluwalia (KJS) is a proprietorship firm owned by Mr. Kamaljeet Singh Ahluwalia. Mr. Ahluwalia, the founder of the Group, based out of Delhi, had acquired Nuagaon Iron ore mine having an area of 767.284 hectare at village Guali, Barbil, Keonjhar Odisha in the year 1984. The production Capacity of the mine is 5.6 Million Tonnes per annum and the mining operation was commenced in 1993. As on April 1, 2017, the iron ore deposit is 173.59 Million Tonnes. The Mining Lease is going to expire on March 31, 2020; however, the management has indicated that it shall be extended for further five years.

Financials (Standalone)
(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	1,088.03	1,816.02
EBITDA (before extraordinary item)	226.15	776.08
EBITDA (after extraordinary item)	226.15	-298.86
PAT (before extraordinary item)	138.48	724.97
PAT (after extraordinary item)	138.48	-349.97
Total Debt	-	476.24
Tangible Networkth	1,515.67	991.89
EBITDA Margin (%) (before extraordinary item)	20.79	42.73
EBITDA Margin (%) (after extraordinary item)	20.79	-16.46
PAT Margin (%) (before extraordinary item)	12.62	39.92
PAT Margin (%) (after extraordinary item)	12.62	-19.12
Overall Gearing Ratio (x)	0.00	0.48

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2018-19)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Fund based limits	Long Term	134 (present outstanding *)	IVR BBB-/Stable Outlook (Reaffirmed and Withdrawn)	IVR BBB-/Stable Outlook (April03, 2018)	--	--	--

*Outstanding as on December 01, 2018

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Infomerics Valuation And Rating Pvt. Ltd.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based limits – Term Loan	December 2017	10%	December 2019	134 (present outstanding *)	IVR BBB- /Stable Outlook (Reaffirmed and Withdrawn)

**Outstanding as on December 01, 2018*