



## Press Release

### **Sat Kartar Mining & Allied Services Private Limited**

**May 21, 2024**

#### **Ratings**

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facilities	19.50	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short-Term Bank Facilities	5.50	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>25.00</b> <b>(INR Twenty Five crore only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Sat Kartar Mining & Allied Services Private Limited (SKMAS) derives strength from its long operational track record under experienced management, strong client base with distributorship of VE Commercial Vehicle Limited coupled with its satisfactory orderbook with the presence of escalation clause in the contracts indicating satisfactory revenue visibility in the near to medium term. Further, the ratings also consider sustained improvement in scale of operations with healthy operating margin and average financial risk profile of the company marked by its average capital structure with moderate debt protection metrics. However, these rating strengths remain partially offset by tender driven nature of its business in highly fragmented & competitive operating spectrum, inherent low margin nature of the business in commercial car dealership segment with non-existence of bargaining power, exposure to regulatory risk coupled with working capital-intensive nature of its operations.

#### **Key Rating Sensitivities:**

##### **Upward factors**

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis and consequent improvement in liquidity
- Improvement in the capital structure marked by improvement in overall gearing ratio to below 1.5x and interest coverage to remain above 5x
- Improvement in operating cycle leading to improvement in liquidity



## Press Release

### Downward Factors

- Moderation in operating income and/or impairment in profitability and cash accrual impacting the debt protection metrics on a sustained basis
- Withdrawal of subordinated unsecured loan of Rs.3.76 crore from the promoters and related parties and/or any unplanned capex leading to moderation in the capital structure marked by deterioration in overall gearing to over 3x and/or moderation in interest coverage to below 3x
- Stretch in the working capital cycle driven by elongated receivables or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

- **Long track record of operation under experienced promoters**

Incorporated in 2006, SKMAS has long operational track record in the contractual mining, marital handing, and overburden removal industry. Further, Mr. Daljeet Singh Kalra, the promoter of the company, has nearly 28 years of experience in this industry. The day-to-day affairs of the company are managed by experienced directors' which has helped the company to grow and develop and established strong relationship with the customers.

- **Strong client base along with distributorship of VE Commercial**

SKMAS has established strong relationship with reputed customers like Ultratech Cement Ltd, Adani Enterprises Ltd, Southeastern Coal Fields Ltd, Nuvuco Vistas Corporation Ltd, leading to repeated orders form them along with low counterparty risk. The company commenced a commercial vehicle dealership business of VE Commercial Vehicle Limited's (VECVL) commercial vehicles to support its primary business in Kartar Motors which is a unit of SKMAS and has two showrooms, one in Bilaspur and one in Raigarh.

- **Sustained improvement scale of operations with healthy operating margin**

Total operating income of SKMAS has grown at a CAGR of ~22% over the past couple of years and the topline has improved and stood at Rs. 122.83 crore in FY23 from Rs.67.79 crore in FY20 on the back of better and timely execution of orders in material handling, overburden removal division coupled with the growth in the commercial vehicle dealership business. Further, as per the estimated FY24 results, the topline has grown further and stood at Rs.132.06 crore. Operating margin of the company had remained satisfactory over the years. However, despite the improvement in topline FY23, underpinned by higher



## Press Release

proportion of low value adding commercial vehicle trading revenue in the revenue mix, the EBITDA margin of SKMAS has marginally moderated yet remains satisfactory at 16.35% in FY23 against 18.69% in FY22. However, the PAT margin of the company remained thin at 1.37% in FY23 which is estimated to improve to ~2.10% in FY24. The company has generated healthy gross cash accruals over the years and is estimated to generated gross cash accruals of Rs.17.14 crore in FY24 (Rs.15.05 crore n FY23).

- **Satisfactory orderbook indicating satisfactory revenue visibility in the near to medium term**

As on March 31, 2024, the company has an outstanding order of ~Rs.260 crore which is more than 2x of its FY23 revenue. Of this, order amounting to ~Rs.117 crore is recently procured from large corporates like, Adani Enterprises Ltd, Nuvuco Vista Corporation Ltd and Southeastern Coal Fields Ltd. Execution of the said orders are yet to start and expected to be completed by coming four years. Rest of the outstanding orders amounting to ~Rs.143 crore is expected to be completed within next one and half years suggesting satisfactory revenue visibility from contact mining and material handing segment.

- **Presence of escalation clause in the contracts coupled with locational advantage**

Infomerics draws comfort the presence of fuel price escalation pass- on clause in contracts which mitigates the risks associated with fuel price fluctuations to an extent. Moreover, proximity of the company to the mining belt and work sites mitigates the business risk to an extent. However, company is also exposed to geographical concentration risks as operations are mostly limited to Madhya Pradesh and Chhattisgarh.

- **Average financial risk profile marked by average capital structure with moderate debt protection metrics**

The capital structure of SKMAS has remained moderate as on March 31, 2023 marked by long-term debt to equity and overall gearing ratio of 1.63x and 2.03x respectively as on March 31, 2023. The net worth base (ATNW) of the company stood moderate at Rs.24.08 crore as on March 31,2023 (including the subordinated unsecured loan from the promoters aggregating to Rs.3.76 crore treated as quasi equity). Total indebtedness of the company as reflected by TOL/ATNW also stood moderate at 3.05x as on March 31,2023. The leverage ratios are estimated to improve in FY24. The interest coverage ratio stood satisfactory at 5.01x in FY23. Furthermore, total debt to EBITDA and total debt to NCA also stood



## Press Release

satisfactory at 2.43x and 3.24x respectively as on March 31,2023. The debt protection metrics of the company is estimated to remain satisfactory in FY24 as well.

### **Key Rating Weaknesses:**

- **Tender driven nature of business in highly fragmented & competitive nature of operation**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfully bid for the tenders as the entire business is tender based. The service sector in which the company operates is fragmented with numerous players in the organized as well as the unorganized sector leading to intense competition in the operating spectrum.

- **Inherent low margin nature of business in commercial car dealership segment with non-existence of bargaining power**

SKMAS being an authorized dealer of VE Commercial is vulnerable to the risk of change in policy by the principal with regards to the dealership. Accordingly, the financial risk profile of the company has a high degree of correlation with the performance of VE's vehicles in the market and their ability to launch new products as per the market dynamics. Further, SKMAS, like other players in the automobile, remains exposed to economic vulnerability, regulatory and legal risks in developing markets such as fluctuation in prices of fuel, initiative taken by government to reduce carbon print like BS-VI emission norms, shifting investment to electric vehicles, change in customer demands etc.

- **Exposure to regulatory Risk**

SKMAS majorly drives revenue from the mining sector and mining operations remain exposed to regulatory risk which can lead to disruption in the business operation in case any modification in government regulations.

- **Working capital intensive nature of operations**

For the vehicle dealership business, inventory management is crucial for SKMAS as it needs to maintain optimal inventory of vehicles and spare parts to meet the customer demand. Accordingly, the average inventory period of the company stood at around 38 days in FY23. Further, the average collection period of the company remained moderate at around 63 days in FY23. On the other hand, the principals do not provide any credit period. Hence working capital intensity of the business remained high. The working capital utilisation levels of the company remains high at ~ 84% during the last 12 months ended in March 2024.



## Press Release

**Analytical Approach:** Standalone.

**Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Criteria on default recognition](#)

[Criteria on complexity](#)

**Liquidity: Adequate**

The liquidity position of the company is expected to remain adequate marked by its adequate gross cash accruals against its debt repayment obligation in the near term. The company is expected to achieve gross cash accruals in the range of ~Rs.19-26 crore as against its debt repayment obligations in the range of ~Rs.8-8.50 crore during FY25-FY27. The company has moderate gearing headroom in view of its moderate capital structure. Further, the liquidity remains constrained due to its high working capital requirements. The average utilisation of working capital limit stood at ~84% during the past 12 months ended March 2024 indicating moderate liquidity buffer.

**About the Company**

Incorporated in September 2006 by Kalra family, Sat Kartar Mining & Allied Services Private Limited (SKMAS) is a Bilaspur, Chhattisgarh based company primarily engaged in materials handling, transport and overburden removal services for cement and power-based companies and transportation of materials for coal industry. Further in FY13, the company commenced a commercial vehicle dealership business with VE Commercial Vehicle Limited (VECVL) to support its primary business in Kartar Motors which is a unit of Sat Kartar Mining & Allied Services Private Limited.

**Financials of Sat Kartar Mining & Allied Services Private Limited (Standalone):**

**(Rs. crore)**





## Press Release

For the year ended* / As On	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	104.85	122.83
EBITDA	19.60	20.08
PAT	3.13	1.69
Total Debt	46.06	48.81
Tangible Net worth (Adjusted)	19.45	24.08
EBITDA Margin (%)	18.69	16.35
PAT Margin (%)	2.97	1.37
Overall Gearing Ratio (x)	2.37	2.03
Interest Coverage	6.18	5.01

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Cash Credit	Long Term	10.50	IVR BBB-/ Stable	-	-	-
2.	E-DFS	Long Term	5.00	IVR BBB-/ Stable	-	-	-
3.	Commercial Vehicle Inventory Funding	Long Term	4.00	IVR BBB-/ Stable	-	-	-
4.	Bank Guarantee	Short Term	0.50	IVR A3	-	-	-
5.	Proposed Non Fund Based	Short Term	5.00	IVR A3	-	-	-

**Name and Contact Details of the Rating Analyst:**

Name: Avik Podder

Tel: (033) 46022266

Email: [apodder@infomerics.com](mailto:apodder@infomerics.com)



## Press Release

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



## Press Release

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Cash Credit	-	-	-	10.50	IVR BBB-/ Stable
Long Term Fund Based Limits –EDFS	-	-	-	5.00	IVR BBB-/ Stable
Long Term Fund Based Limits – Commercial Vehicle Inventory Funding	-	-	-	4.00	IVR BBB-/ Stable
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	0.50	IVR A3
Long Term Fund Based Limits –Proposed Non Fund Based	-	-	-	5.00	IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SatKartar-may24.pdf>

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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](http://www.infomerics.com)