



## Press Release

### Sunshine Coalmin Private Limited

May 27, 2024

#### Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long-Term Bank Facilities	20.00	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short-Term Bank Facilities	70.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>90.00</b> <b>(INR Ninety crore only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

For arriving at the ratings, Infomerics Ratings has considered the combined financials of Sunshine Coalmin Private Limited (SCPL) and Yashvi Coal and Minerals Private Limited (YCMPL) commonly referred as Yashvi group hereafter as these entities are engaged in similar line of business, run under a common management, and have strong operational and financial linkages. The ratings assigned to the bank facilities of SCPL derives strength from its experienced promoters, growth in scale of operation of the Yashvi group with steady profitability supported by the satisfactory financial risk profile with comfortable debt protection metrics. However, these rating strengths remain partially offset by the intense competition in coal trading business with exposure to government regulations, susceptibility of profitability to volatility input prices and small operational track record of the group. The ratings also consider the performance of the end-user industry and cyclical demand in the coal industry.

#### Key Rating Sensitivities:

##### Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics
- Improvement in working capital management leading to improvement in operating cycle and liquidity



## Press Release

### Downward Factors

- Decline in revenue and profitability leading to deterioration in debt protection metrics on a sustained basis.
- Moderation in the capital structure with moderation in TOL/TNW to over 3.5x
- Elongation in operating cycle impacting liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

- **Experienced promoters**

The current directors have extensive experience of more than 20 years in the coal trading industry, which enables it to carry out its operations efficiently. The group will continue to benefit from its directors' extensive experience and their strong understanding of the market dynamics. The promoters are supported by a team of competent professionals who look after the day-to-day operations of the group.

- **Growth in scale of operation with steady profitability**

Total operating income of the group has witnessed sustained increase over the past three fiscals at a compound annual growth rate (CAGR) of ~96% as it improved from Rs.148.91 crore in FY22 to Rs.570.90 crore in FY24 (Provisional). The growth in scale in operation is mainly backed by the improvement in scale of operation of SCPL from FY23 along with steady recovery of the topline in YCMPL supported by higher sales volume boosted by huge demand of steam coal in Indian domestic market coupled with increase in sales realization attributable to increase in commodity prices led by multiple geopolitical crisis. Despite the intense competition in the domestic coal trading industry along with low value additive nature of business, both operating margin and PAT margin of the group remained comfortable at 8.30% and 5.84% respectively in FY24 (prov.). Furthermore, the net cash accrual of the group also stood comfortable at ~Rs.35 crore in FY24 (Provisional) with minimal external debt repayment obligation.

- **Satisfactory financial risk profile with comfortable debt protection metrics**

The adjusted net worth of Yashvi group stood at Rs.48.19 crore as on March 31, 2024 (Prov.). To support its growing scale of operation, the group has availed fresh working capital by the end of FY24 which largely remained unutilized. Long term debt to equity and overall gearing of the group (based on adjusted tangible net worth) stood satisfactory at 0.35x and 0.57x respectively as on March 31, 2024 (Prov.). Total indebtedness of the group



## Press Release

as reflected by TOL/ATNW also stood comfortable at 2.24x as on March 31, 2024 (Prov.). Debt protection metrics marked by the interest coverage ratio has remained comfortable at 38.20x in FY24 (Prov.). Total debt to EBITDA and Total debt to NCA both remained satisfactory at 0.55x and 0.74 years respectively in as on March 31, 2024 (Prov.).

### **Key Rating Weaknesses:**

- **Small track record of operation**

The group has a short track record of operation of less than ten years since YCMPL had commenced its operations in 2015 and SCPL started its operation only in the year 2020.

- **Intense competition in coal trading business with exposure to government regulations**

The group mainly trades in domestic coal. The coal trading industry is highly fragmented with presence of many organized and unorganized players. Limited value addition in trading activities restricts the pricing flexibility and in turn exerts pressure on the company's margins. Further, coal is an important natural resource, and its mining and industry-wise allotment is regulated by the Government of India. Any adverse change in the regulatory framework may impact the operations of the company.

- **Susceptible to performance of end-user industry and cyclical demand in the coal industry**

Coal is used as fuel in the iron & steel and cement industry as well. Hence, prospects for the coal industry are linked to the overall fortunes of this end-user segment. The inherent cyclicity in the steel business, the key consuming industry, is likely to keep the cash flows and profitability of the group volatile.

- **Susceptibility of profitability to volatile input prices**

As the coal prices are volatile in nature, the profitability of the group is subject to fluctuation in coal prices.

**Analytical Approach:** Combined. For arriving at the ratings, Infomerics Ratings has considered the combined financials of Sunshine Coalmin Private Limited (SCPL) and Yashvi Coal and Minerals Private Limited (YCMPL) together referred as 'Yashvi Group' as these entities are engaged in similar line of business, run under a common management, and have strong operational and financial linkages. The lists of companies considered for consolidation are given in Annexure 3

### **Applicable Criteria:**



## Press Release

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

[Consolidation of Companies](#)

[Criteria on default Recognition](#)

### **Liquidity: Adequate**

The liquidity position of the group is adequate as reflected by sufficient cushion in gross cash accruals which stood at ~Rs.35 crore in FY24 (Provisional) as against its low debt repayment obligation of Rs.0.50 crore. The liquidity position of the group is expected to remain adequate in the near term marked by its adequate gross cash accruals against its nominal debt repayment obligation in the near term. The group has comfortable gearing headroom in view of its satisfactory capital structure. However, with the scale up of operations, the liquidity might get constrained due to its high working capital requirements.

### **About the Company**

Incorporated in 2020, Sunshine Coalmin Private Limited (SCPL) is a Surat based company engaged in trading of imported steam non-cooking coal. According to the demand, the company also procures coal from local buyers as well as imports from various countries including Indonesia, South Africa, Russia, Australia etc. Mr. Paresh J Khandelwal and Mr. Dinesh Koolwal are the present directors of the company.

### **Financials of Yashvi Group (Combined):**

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Combined	Combined
Total Operating Income	148.91	398.89
EBITDA	2.60	37.84
PAT	1.62	25.08
Total Debt	13.59	3.45
Tangible Net worth	7.42	32.26
EBITDA Margin (%)	1.75	9.49
PAT Margin (%)	1.09	6.29
Overall Gearing Ratio (x)	1.83	0.11
Interest Coverage	17.62	34.47

\*Classification as per Infomerics' standards.

### **Financials of Sunshine Coalmin Private Limited (Standalone):**



## Press Release

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	65.05	338.01
EBITDA	1.45	25.96
PAT	0.91	16.96
Total Debt	13.52	2.85
Tangible Net worth	1.04	17.79
EBITDA Margin (%)	2.23	7.68
PAT Margin (%)	1.40	5.02
Overall Gearing Ratio (x)	12.99	0.16
Interest Coverage	27.03	34.14

\*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	20.00	IVR BBB-/ Stable	-	-	-
2.	Letter of Credit	Short Term	70.00	IVR A3	-	-	-

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

Name: Avik Podder

Tel: (033) 46022266

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

### 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).





## Press Release

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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).

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### 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	-	-	-	20.00	IVR BBB-/ Stable
Short Term Non-Fund Based Limits – Letter of Credit	-	-	-	70.00	IVR A3

### Annexure 2: Facility wise lender details:

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

### Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Sunshine Coalmin Private Limited	Full Consolidation
Yashvi Coal and Minerals Private Limited	Full Consolidation



## Press Release

**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)

