



Press Release

Turnrest Resources Private Limited (TRPL)

November 30, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit / Overdraft	68.00 (Increased from 28.00)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities – Letter of Credit	184.00 (Increased from 139.00)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	252.00 (Rupees Two Hundred and Fifty Two Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Turnrest Resources Private Limited (TRPL) factors in improvement in scale of operations of the company in FY23 and capital infusion in H1FY24. The ratings continue to factor resourceful promoters and established business relationships with the customers and suppliers, strong business model and diversified product range. The rating are, however, constraint by intense competition in coal trading business, vulnerability to change in government/regulatory policies , volatility in coal prices and exposure to forex risk and relatively subdued revenue in the H1FY in comparison with corresponding period of previous year.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Resourceful promoters and established business relationships with the customers and suppliers**

TRPL has built a strong business relationship with its customers and suppliers. TRPL's has a strong and increasing customer base in Gujarat, Rajasthan, Punjab, Haryana, Uttar Pradesh, Delhi, Jammu and Kashmir, Madhya Pradesh etc. Further, major part of the sales of the company are made against advance orders at the predetermined prices, which also protect the company from volatility in the prices of the coal. The promoters of TRPL have infused funds in the form of fresh equity share capital in H1FY24. Equity share capital increased to Rs.85.00 crore as on September 30, 2023.



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- **Strong business model and diversified product range**

TRPL procures cargo directly from mid-sized mine owners in Indonesia and sells directly to big, small and mid-size traders under its brand name “Blackston”, thus reducing the intermediaries and thereby optimizing the cost. TRPL has placed a dedicated team in the sourcing country Indonesia, which is involved in the overall procurement operations including quality control in the supplier country itself. TRPL deals in various grades of coal ranging from 3200 GAR to 5300 GAR and thereby catering to customers across diversified industries.

- **Improvement in scale of operations of the company in FY23**

TRPL's top line improved by 36.53% in FY23. TRPL's topline improved from Rs.692.19 crore in FY22 to Rs.945.05 crore in FY23. TRPL's topline improved mainly due to improvement in quantity sold and increased realization rates. Further, TRPL has reported sales of Rs.314.98 crore with operating margin of 5.27% for the period 6MFY24 as against Rs.527.15 crore in H1FY23.

Key Rating Weaknesses

- **Intense competition in coal trading business**

TRPL trades in imported Indonesian coal. The coal trading industry is highly fragmented with presence of many organised and unorganised players due to low-entry barriers, which in turn exerts pricing pressure and keeps the coal trading margins under check. Limited value addition in trading activities, further restricts pricing flexibility and hence creates a cap and exerts pressure on the profit margins. However, TRPL adds value in terms of branding and reducing intermediaries by sourcing directly from Indonesian mines. Company adds competitive advantage in procurement, in terms of direct contact with miners in Indonesia. Company is involved in ground level operations of managing the mines, quality control, procurement, operations and loading in the supplier country itself.



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- **Vulnerability to change in government/regulatory policies and volatility in coal prices**

Coal being a natural resource is highly regulated, and hence, any adverse change in government/regulatory policies in India or in supplier country, can impact the business risk profile of the Company. Further, operating margin remains susceptible to any sharp change in input prices, which have historically been extremely volatile on account of coal being a commodity.

- **Exposure to forex risk**

TRPL imports entire traded goods from Indonesia against letter of credit issued to the suppliers. TRPL book the forward contracts post sufficient research, for hedging against fluctuations in foreign exchange rates. TRPL's treasury department aims to maintain overall hedged position of the outstanding foreign currency liability not to be lesser than 75% at any point of time on yearly average basis.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Trading Companies](#)

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

[Rating Criteria on Consolidation of companies](#)



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Liquidity – Adequate

The liquidity position of the company remained adequate marked by sufficient cash accruals vis-à-vis repayment obligations. The company maintained unencumbered cash and bank balances of Rs.14.44 crore as on March 31, 2023. Further, the current ratio and quick ratio stood at 1.39x and 0.24x as on March 31, 2023. The average utilization of cash credit stood at 80% for twelve months ended July 2023.

About the Company

Ahmedabad-Gujarat based Turnrest Resources Private Limited (TRPL) was incorporated in 2017, promoted by Mr Jay Chotalia and Mr Mitesh Sanghavi. TRPL is an Indian company with presence in Indonesia and Singapore. In spite of relatively new entrant in the imported coal trading business, TRPL has become a major supplier of imported coal from Indonesia across various parts of India. TRPL deals with different grades of coal ranging from 3800 GAR to 5300 GAR under the brand of 'Blackston'. With focused branding, professional management, customer centric and service-oriented approach, TRPL aims to build customer relationships in an otherwise highly unorganised sector. TRPL is majorly operating from Kandla port in Kutch district and Navlakhi port in Morbi district of Gujarat.



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Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	692.19	945.05
EBITDA	35.64	38.86
PAT	24.95	15.66
Total Debt	143.13	135.94
Tangible Net Worth including quasi equity	57.63	83.30
Ratios		
EBITDA Margin (%)	5.15	4.11
PAT Margin (%)	3.56	1.65
Adj.Overall Gearing Ratio(x)	2.20	1.63

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings in its press release dated October 13, 2022 has continued the rating of Turnrest Resources Private Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 1, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 13, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit / Overdraft	Long Term	68.00	IVR BBB/ Stable	IVR BBB/Stable	IVR BBB- /Stable	-
2.	Letter of Credit	Short Term	184.00	IVR A3+	IVR A3+	IVR A3	-



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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.

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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
Cash Credit	-	-	Revolving	68.00	IVR BBB/ Stable
Letter of Credit	-	-	-	184.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Turnrest-nov23.pdf>

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.