



September 21, 2010

## **ICRA assigns LBBB- (Stable) and A3 ratings to enhanced bank facilities of Coastal Energy Private Limited (CEPL)**

ICRA assigns A3 (pronounced A three) ratings to the non-fund-based facilities of Coastal Energy Private Limited (CEPL) for an enhanced amount of Rs. 607 crores<sup>†</sup>. ICRA also reaffirms LBBB- (pronounced L triple B minus) rating for Rs 2.5 crores, long-term loan facilities and Rs. 90.5 crores, fund-based facilities of CEPL. ICRA also has stable outlook for the long term rating of CEPL.

The ratings factor in the established performance record of CEPL arising from its long-standing presence in coal trading operations; adequate coal handling capability; adequate scale of operations and market share and favourable demand prospects scenario, as reflected by the increasing coal imports volumes in the country. It also factors in positively the additional operational synergies that CEPL drives from the presence of its group companies across the value chain of fuel supply and management services.

The ratings are, however, constrained by the company's vulnerability to commodity price variation risks and foreign exchange fluctuation risks inherent in the coal trading business; high dependence upon its associate company "Coal & Oil Company LLC" (C&O) for the assurance of supply of traded products.

A note has also been taken of declined profitability of the company during FY 2010, which was a result of pressure on commodity prices in H110 and its partially un-hedged foreign currency exposure at the beginning of FY 2010.

On the other hand, as a positive development CEPL has begun to import (majorly) on the basis of orders placed by customers so as to mitigate commodity risks and has initiated practices (such as majorly undertaking back to back forward covers, incorporation of forex variation clause in supply agreement etc) to minimize un-hedged forex exposure.

Moreover, to support the liquidity during FY 2009 and H110, the payments to CEPL's creditors "C&O" were deferred and classified as unsecured loans from C&O. Overtime, pressures on operational performance has eased with volatility in commodity and forex decreasing and improved risks mitigation practices. However, CEPL would continue to depend upon C&O for financial flexibility, as in past years and C&O's ability to support the liquidity requirements of CEPL.

### **Company Profile**

Coastal Energy Private Limited (CEPL) is engaged in the business of trading/importing non-coking coal and offering fuel supply turnkey services to thermal power generation capacities in the country. The company also provides entire fuel management services encompassing import of coal on stock and sale basis or high seas sales basis; ocean freight forwarding; appointment of stevedoring agents; cargo dispatching at wharf; import documentation; inland transportation as well as energy optimisation consultancy. The company was incorporated in 1998 with the objective of initially undertaking fuel supply turnkey services for coal exports made by its Dubai based group company "Coal & Oil Company (C&O)" in India. Subsequently, it began importing coal on stock and sale basis on its own in the country. The promoters have long experience in trading business and the company has well-qualified professionals in the senior management, with considerable experience in the concerned industries. Further, Mr. Ahmed Abdul Rahman Buhari, promoter of the company, belongs to the Chennai-based Buhari family and operates various companies, offering integrated fuel supply solutions

### **PRESS RELEASE**

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# ICRA Limited

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under the US\$ 500 million (Source: Company) Coal & Oil Company LLC (C&O) group. The promoters of Coal & Oil group (along with other Buhari family members) are co-owners<sup>3</sup> of the US \$ 5–7 billion (source: Company) ETA-Ascon group, Dubai, which has a presence in construction, real estate, trading, manufacturing, shipping, retail and education sectors.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".  
The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>3</sup> along with Al Ghurair Group of Dubai; Note 1: Please note 1 crores= 100 lakh= 10 million

†For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

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