November 26, 2024

Amelia Coal Mining Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based -Term loans	522.38	522.38	[ICRA]A+ (Stable); reaffirmed
Long term – Fund based limits-Cash credit	70.62	70.62	[ICRA]A+ (Stable); reaffirmed
Short term - Non fund based facilities	90.00	90.00	[ICRA]A1; reaffirmed
Total	**683.00**	**683.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmed ratings factor in Amelia Coal Mining Limited's (ACML) status as a step-down subsidiary of Essel Mining & Industries Limited (EMIL, rated at [ICRA]A1+ and holding a 79.39% economic interest in ACML along with other Aditya Birla Group companies holding a 15.71% economic interest). ACML has been formed as a special purpose vehicle (SPV) to undertake mine development and operations of the Amelia coal block in Singrauli, Madhya Pradesh. EMIL remains a strategically important entity of the Aditya Birla Group, given the substantial investments it has in various Aditya Birla Group entities, both through its own standalone books and its wholly-owned subsidiary, IGH Holdings Pvt Ltd. Following the expiry of EMIL's iron-ore mining leases in Odisha, the company has identified coal mining as an important growth engine. Among the three coal mining projects (Amelia, Bandha, and Subhadra) being actively undertaken by EMIL through various SPVs, Amelia has been the first to take off, having started commercial production in FY2023 and gradually ramping up to operate at an expected level of 55% of the peak-rated capacity in FY2025. Therefore, its success remains crucial to EMIL's future growth plans in this segment. ICRA, therefore, expects the EMIL Group (EMIL along with its various subsidiaries) to extend need-based financial support to ACML, given its strategic importance.

The ratings further consider EMIL's established presence in the coal mining business as a mine development and operator (MDO) for two large coal mines of Coal India Limited (Bhubaneshwari and Rajmahal mines), through its subsidiaries, Bhubaneswari Coal Mining Limited and Rajmahal Coal Mining Limited, having a cumulative capacity of 45 million tonnes per annum (mtpa). ACML has already achieved operating profits in the current fiscal, with minimal capex deployment done till date and the mine not having reached its peak rated capacity yet, which remains credit positive. The EMIL Group's willingness to support ACML has been demonstrated by the presence of a legally enforceable, unconditional and irrevocable corporate guarantee extended by ACML's parent, Bhubaneswari Coal Mining Limited (a 74% subsidiary of EMIL), for the rated project loan. ICRA positively considers the financial flexibility arising from ACML's parentage, as corroborated by its ability to tie up the entire project debt at an early stage at a competitive interest rate.

The ratings also favourably consider ACML's long-term contract with the mine owner (THDC India Limited, rated at [ICRA]AA(Stable)) as the MDO for mining ~140 million tonnes of coal reserves over the contract period, thus ensuring healthy long-term revenue visibility. If the mine owner reduces the annual production target below 10% of the contracted volumes, ACML will be eligible to receive a charge equal to 25% of the mining fee in respect of such reduction below the 10% mark, thus mitigating offtake risks to an extent. Amelia's average coal quality remains at an attractive G9 grade, which is higher than the G11/G12 grades that are generally supplied to power stations by Coal India Limited, thereby supporting its marketability. ICRA notes that within a distance of 100 km from Amelia coal mines, NTPC Ltd. (THDC's parent) has three large thermal power stations (Vindhyachal – 4,760 MW, Singrauli – 2,000 MW, and Rihand – 3,000 MW), which are consuming Amelia's entire output. In addition, THDC has synchronised Unit I (660 MW) of the Khurja end-use power plant for Amelia in October 2024 and is looking to declare commissioning in the current month. Moreover, Khurja's Unit II is scheduled for commissioning towards the end of the fiscal, giving a clearer line of sight on long-term offtake from Amelia. However, going forward, in case of lower offtake from THDC due to operational disruptions at its upcoming end-use power plant, ACML's superior coal quality and the mine's proximity to NTPC's power stations would mitigate offtake risks to a large extent. The ratings also consider the favourable structure of the term debt being availed for the project, which has an extended repayment pattern with moratorium, supporting the liquidity profile of the company.

The ratings are, however, tempered by ACML's customer concentration risk as THDC India Limited is its only customer. Although the contract period is long and valid for 28 years, it has a termination clause based on various parameters including non-achievement of project milestones in a time-bound manner, failure to achieve actual production of 75% of the monthly capacity for a cumulative period of six months, non-compliance with the efficiency parameters in the allotment agreement and breach of maintenance/ safety requirements, among others. Nevertheless, the strong credit profile of THDC India Limited mitigates the counterparty risks. The ratings also remain constrained by ACML's exposure to project execution risk, including risks of delays and cost overruns, as the project is in its initial stage of execution at present. However, the risk is mitigated to an extent, given the Group's execution track record in the coal mining sector. Besides, with all statutory clearances in place and land acquisition completed, the company has achieved the commercial operation date (CoD) well in advance of the schedule, reducing certain execution-related risks. The ratings also consider ACML's exposure to geological risks as the coal supplied will be subject to quality compliance norms. Besides, ACML will be liable to pay damages in case of production shortfall with the possibility of termination of the agreement beyond a particular threshold. However, the low gradient of the coal seam mitigates operational risks to an extent.

The Stable outlook on the long-term rating reflects ICRA's expectations that ACML will be able to gradually ramp up to its peak rated capacity as per the production schedule, leveraging the Group's experience in the coal mining business, resulting in a steady improvement in its earnings and credit metrics.

Key rating drivers and their description

Credit strengths

Stepdown subsidiary of EMIL, which is a strategically important entity to the Aditya Birla Group – ACML is a step-down subsidiary of EMIL, which has been formed as a special purpose vehicle to undertake mine development and operations of the Amelia coal block situated in Singrauli, Madhya Pradesh. Bhubaneswari Coal Mining Limited (74% subsidiary of EMIL) has a 51% stake and Rajmahal Coal Mining Limited (85% subsidiary of EMIL) has a 49% stake in ACML.

EMIL remains a strategically important entity of the Aditya Birla Group, given the substantial investments it has in various Aditya Birla Group entities, both through its own standalone books and its wholly-owned subsidiary, IGH Holdings Pvt Ltd. As on September 30, 2024, the market value of EMIL's equity holdings (held through its own standalone books and through IGH) in key listed entities of the Aditya Birla Group like Hindalco Industries Limited, Grasim Industries Limited, Aditya Birla Fashion and Retail Limited, Aditya Birla Capital Limited, Century Textiles and Industries Limited and Vodafone Idea Limited stood at ~Rs. 48,493 crore. This imparts increased financial flexibility to EMIL, as indicated by its demonstrated ability to borrow at competitive interest rates. Besides, EMIL has witnessed a demonstrated track record of funding support from the Aditya Birla Group.

ICRA notes that between FY2019 and FY2025, EMIL has received a cumulative Rs. 7,902 crore of funding support from the Aditya Birla Group through a combination of rights issues of Rs. 4,842 crore and compulsorily convertible debentures (CCDs) of Rs. 3,060 crore. These inflows have majorly been mobilised in IGH to fund its various investment requirements. ICRA expects the Aditya Birla Group to be willing to extend financial support to EMIL should there be a need. ICRA draws comfort from the financial flexibility arising from ACML's parentage, as corroborated by its ability to tie up the entire project debt at an early stage at a competitive interest rate.

Established presence of the Group in the coal mining business – EMIL is among the leading private coal miners in India, operating two coal assets as MDO, the 28-mtpa Bhubaneshwari Coal Mine in Odisha for the Mahanadi Coalfields Limited, and the 17-mtpa Rajmahal coal mine in Jharkhand for the Eastern Coalfields Limited, through its subsidiaries, Bhubaneswari Coal Mining Limited and Rajmahal Coal Mining Limited, respectively. Barring FY2022 and FY2023, when one of the MDOs posted operating losses due to low coal extraction on account of land unavailability, the two coal MDOs generated healthy earnings over the years. Apart from EMIL, the Aditya Birla Group has substantive coal mining expertise with Hindalco and Ultratech Cement, both operating captive coal mines.

Long-term contract with the mine owner gives revenue visibility over the contract period – ACML has a 28-year contract with THDC India Limited as the mine developer and operator for mining ~140 million tonnes of coal over the contract period. This ensures revenue visibility for ACML over the entire contract period. If THDC India Limited reduces the annual production target below 10% of the contracted volumes, ACML will be eligible to receive a charge equal to 25% of the mining fee in respect of such reduction below the 10% mark, thus mitigating offtake risks to an extent. Amelia's average coal quality remains at an attractive G9 grade, much higher than the G11/G12 grades supplied to power stations by Coal India Limited, supporting its marketability. ICRA notes that within a distance of 100 km from Amelia coal mines, NTPC Ltd. (THDC's parent) has three large thermal power stations (Vindhyachal – 4,760 MW, Singrauli – 2,000 MW, and Rihand – 3,000 MW), which are consuming Amelia's entire output. In addition, THDC has synchronised Unit I (660 MW) of the Khurja end-use power plant for Amelia in October 2024 and is looking to declare commissioning in the current month. Moreover, Khurja's Unit II is scheduled for commissioning towards the end of the fiscal, giving a clearer line of sight on long-term offtake from Amelia. However, going forward, in case of lower offtake from THDC due to operational disruptions at its upcoming end-use power plant, ACML's superior coal quality and the mine's proximity to NTPC's power stations would mitigate offtake risks to a large extent.

Favourable structure of the term debt leaves a comfortable cushion for any unforeseen challenges – The project debt being availed is favourably structured with an extended repayment pattern spread over around 11 years with a moratorium of around two years. The favourable structure of the term debt supports the company's liquidity profile and leaves a comfortable cushion for any unforeseen challenges.

Credit challenges

Exposed to customer concentration risk – As per the contractual terms, ACML will only be operating the Amelia coal mines for THDC India Limited. Hence, the latter will be ACML's only customer, exposing it to customer concentration risk. Although the contract period is long and valid for 28 years, nonetheless, it has a termination clause based on various parameters, including non-achievement of project milestones in a time-bound manner, failure to achieve an actual production of 75% of the monthly capacity for a cumulative period of six months, non-compliance with efficiency parameters in the allotment agreement, and breach of maintenance/ safety requirements among others. Nevertheless, the strong credit profile of THDC India Limited mitigates the counterparty risks.

Exposed to project execution risk – The MDO project currently remains in the initial stage of execution. Thus, the company is exposed to project execution risk, including risks of delays and cost overruns. However, the risk is mitigated to an extent, given the Group's execution track record in the coal mining sector. Besides, with all statutory clearances already in place and land acquisition completed, the company has already achieved CoD well in advance of the schedule, reducing certain execution-related risks.

Exposure to geological risks – As per the contractual terms, the coal supplied by ACML will be subject to quality compliance in terms of average delivered grade of G9, ash content and limiting the presence of stones/foreign/metallic material, size of coal, surface moisture content. If the coal supplied by ACML does not adhere to the stipulated quality parameters, there will be downward adjustments to the mining fees. Besides, ACML will be liable to pay damages in case of production shortfall with the possibility of termination of the agreement beyond a particular threshold. Thus, the company remains exposed to geological risks. However, the low gradient of the coal seam mitigates operational risks to an extent.

Liquidity position: Adequate

The liquidity position of the company is assessed as adequate as the projects' entire debt requirement has already been tied up. Most of the equity portion (including subordinated debt) for the project has been front-ended (Rs. 109.10 crore infused till March 31, 2024). Besides, the liquidity is supported by the moratorium of around two years on the project debt. The liquidity is further supported by the large free cash/bank/liquid investment balance of ~Rs. 1,403 crore available with the EMIL Group on a consolidated basis as on March 31, 2024. ACML's liquidity profile is also bolstered by the financial flexibility that it enjoys as part of the Aditya Birla Group.

Rating sensitivities

Positive factors – The company's ability to ramp up production as per contractual commitments, leading to a meaningful improvement in earnings and credit indicators may result in positive ratings action. The ratings may also be upgraded if there is an improvement in the credit profile of the ultimate parent, EMIL.

Negative factors – The company may face ratings pressure if it is unable to ramp up production as per contractual commitments, leading to sub-optimal earnings and coverage indicators. The ratings may also be downgraded if there is a deterioration in the credit profile of the ultimate parent or if there is a weakening of linkages with EMIL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Mining
Parent/Group support	Ultimate parent company: Essel Mining & Industries Limited (EMIL) Amelia Coal Mining Limited (ACML) is a 79.39% step-down subsidiary of EMIL and both have a common management. ICRA expects the EMIL Group to be willing to extend financial support to ACML, should there be a need, given its strategic importance to the EMIL Group, and out of its need to protect its reputation. The EMIL Group has also indicated its willingness to support ACML by extending an unconditional and irrevocable corporate guarantee for ACML's borrowing programme through its Group company, Bhubaneswari Coal Mining Ltd.
Consolidation/Standalone	Standalone financials have been considered.

About the company

Amelia Coal Mining Limited (ACML), incorporated in March 2022, is a step-down subsidiary of EMIL. It has been formed as a special purpose vehicle to undertake mine development and operations of the Amelia coal block in Singrauli, Madhya Pradesh. The Amelia coal block is owned by THDC India Limited. Bhubaneswari Coal Mining Limited (74% subsidiary of EMIL) has a 51% stake and Rajmahal Coal Mining Limited (85% subsidiary of EMIL) has a 49% stake in ACML.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	17.6	169.8
PAT	-5.7	-24.8
OPBDIT/OI	-43.1%	-11.5%
PAT/OI	-32.6%	-14.6%
Total outside liabilities/Tangible net worth (times)	-22.1	-15.6
Total debt/OPBDIT (times)	-3.7	-5.9
Interest coverage (times)	-19.6	-2.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long-Term	522.38	Nov 26, 2024	[ICRA]A+ (Stable)	Oct 18, 2023	[ICRA]A+ (Stable)	-	-	-	-
Cash Credit	Long-Term	70.62	Nov 26, 2024	[ICRA]A+(Stable)	Oct 18, 2023	[ICRA]A+(Stable)	-	-	-	-
Non fund based facilities	Short-Term	90.00	Nov 26, 2024	[ICRA]A1	Oct 18, 2023	[ICRA]A1	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based -Term loans	Simple
Long term – Fund based limits- Cash credit	Simple
Short term - Non fund based facilities	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term – Fund based -Term loans	FY2023	NA	FY2034	522.38	[ICRA]A+ (Stable)
NA	Long term – Fund based limits- Cash credit	NA	NA	NA	70.62	[ICRA]A+(Stable)
NA	Short term - Non fund based facilities	NA	NA	NA	90.00	[ICRA]A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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