

February 28, 2025

TMC Mineral Resources Private limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Fund based Cash Credit	12.00	12.00	[ICRA]A-(Stable); reaffirmed
Long Term /Short Term -Non-Fund based-Other	60.00	60.00	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Long Term-Fund based Term Loans	-	50.00	[ICRA]A-(Stable); assigned
Total	72.00	122.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Technoblast Mining Corporation (TMC) and TMC Mineral Resources Private Limited (TMRPL) (referred to as the Group) as both the entities are in the similar line of business and are run by a common management.

The rating action factors in the higher-than-expected revenues and profitability in FY2024 and expectations of sustained improvement in the current fiscal. In FY2024, the consolidated revenue growth remained healthy at ~21% to Rs. 507.7 crore against Rs. 419.4 crore in FY2023, on account of higher execution of existing as well as new orders. This was coupled with healthy increase in PAT to Rs. 80.5 crore in FY2024 over Rs. 54.5 crore in FY2023 and improved liquidity. The debt coverage indicators remained healthy. The order book remains strong, which provides revenue and cash flow visibility in the medium term. In 9M FY2025, the Group has already achieved revenue of ~Rs. 330 crore and the full-year Group revenue is expected to remain at Rs. 500-520 crore. The operating margin is also expected to remain healthy at 25-26% in FY2025, slightly better than the previous fiscal. The liquidity of the Group remained comfortable with cash and equivalents of close to Rs. 113 crore as on March 31, 2024 and Rs. 134 crore as on December 31, 2024 with sufficient cushion in bank limits. With healthy accruals, the liquidity position is expected to remain adequate in the near term.

ICRA has considered the Group's Rs. 250-300-crore capital expenditure plans over the next three years towards mine development in the new mines acquired through the bidding process and new orders received. The mines will be under revenue sharing arrangement with the respective clients. Given the healthy cash accruals, the company would comfortably be able to fund the equity portion through its internal accruals and the balance through long-term debt. Also, the same would be incurred primarily from FY2026 in a phased manner. Consequently, the company's capital structure and debt coverage indicators are expected to remain comfortable in the near to medium term. In addition, following the expansion of new mines, the company would benefit from increased scale and better margins, thus strengthening its overall operating profile. However, the same exposed the entity to the execution risk and any material deviation in the ramp up of the execution as per contractual commitments, resulting in sub-optimal earnings and coverage indicators would remain the key rating monitorable factors.

The ratings continue to positively factor in the Group's established track record in the contract mining and mine development and operation (MDO) business, with a reputed clientele. Further, there has been a diversification in the order book with new orders from South Eastern Coalfields Limited. The presence of diesel and labour price-escalation clause in major contracts protects the margins to a large extent.

The ratings, however, continue to be constrained by the Group's exposure to moderate client concentration risk as orders from top five clients constituted around 88% of the total revenue in FY2024. Additionally, it faces high geographical concentration risk as the major portion of its revenue is derived from only two states, i.e., Chhattisgarh and Madhya Pradesh.

The ratings are also constrained by the tender-based nature of the contract mining business and execution challenges due to the regulatory hurdles associated with mining, as well as potential law and order issues in the mining regions. ICRA notes that although the entire responsibility of getting regulatory clearances lies with the mining leaseholder, it may impact the Group's revenue if the projects get delayed. While assigning the ratings, ICRA has considered the risks associated with TMC for being a partnership firm such as the risk of dissolution of the firm upon death and retirement or insolvency of the partners. However, limited withdrawal in the past provides comfort.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that the Group will continue to benefit from the established track record, a strong client profile, healthy order book execution and operating margins, which would support the Group's operating profits and credit metrics.

Key rating drivers and their description

Credit strengths

Improvement in revenue and profitability in FY2024 and FY2025; healthy order book provides medium-term revenue visibility – In FY2024, the Group's total revenue rose by 21% to Rs. 507.7 crore from Rs. 419.4 crore in FY2023, on account of receipt of healthy orders and their timely execution. Consequently, it supported the operating profits as well as debt coverage indicators with an interest coverage and Total Debt/OPBDITA of 10.4 times and 0.6 times, respectively, in FY2024 compared to 10.6 times and 0.8 times, respectively, in FY2023. Further, the Group's net-worth improved to Rs. 223.5 crore in FY2024 from Rs. 142.0 crore in FY2023. The Group's healthy order book provides revenue visibility in the medium term. This, along with new bids in the pipeline and acquisition of one iron-ore block and one coal block from Mahanadi Coalfields are likely to further support the revenue visibility. In 9M FY2025, the Group has already achieved revenue of ~Rs. 330 crore and the full-year Group revenue is expected to remain at Rs. 500-520 crore. The operating margin is also expected to remain healthy at 25-26% in FY2025, slightly better than the previous fiscal.

Established track record of promoters and management in mining industry – The promoters have been in the business of contract mining since 1998 and have successfully executed many projects in the past for Godawari Power & Ispat Ltd., Hindalco Industries Limited, Steel Authority of India Limited, Sarda Energy & Minerals Ltd., RCCPL Private Limited., UltraTech Cement Ltd., and South Eastern Coalfields Ltd., among others.

Reputed clientele mitigates counterparty credit risk – The company's order book consists of various large clients including established Government entities in addition to private sector clients. The strong credit profiles of the customers mitigate the counterparty credit risks to a large extent by ensuring timely realisation of payments.

Limited exposure to fluctuations in prices due to price-variation clause in contracts – The principal cost drivers are diesel and labour charges. The in-built clause for price escalation in fuel and labour in all its major contracts helps protect its profit margins to an extent. The risk is further mitigated as new orders are availed on a present value basis model.

Credit challenges

Significant project concentration risks for newer projects, which are yet to commission or at early stage of operations – The ratings are constrained by the risk associated with the successful completion of the projects within the scheduled timeline and achieving the desired revenue. Additionally, the Group remains exposed to geographical concentration risk as the major portion of its revenue is derived from Chhattisgarh and Madhya Pradesh. New orders and bids won are also in the same geography.

Large capex underway – The Group will undertake large capital expenditure of Rs. 250-300 crore over the next three years towards mine development in the new mines acquired through the bidding process and new orders. Any significant cost and time overruns impacting the earnings and debt coverage would remain credit negatives. However, given the healthy cash accruals, the company would comfortably be able to fund the equity portion through its internal accruals and the balance

through long-term debt. Also, the same would be incurred primarily from FY2026 in a phased manner. Consequently, the company's capital structure and debt coverage indicators are expected to remain comfortable in the near to medium term.

Operations and mining contracts are exposed to regulatory risks – Mining operations remain exposed to regulatory risks, which can result in potential closure in case of violation of statutory norms. Moreover, the mining belts are prone to law-and-order problems, which may result in unforeseen delays in project execution. ICRA notes that while the entire responsibility of getting regulatory clearances lies with the mining leaseholder, however, it may impact the Group's revenue if the project is delayed.

Risks associated with a partnership firm for Technoblast Mining Corporation – Given TMC's constitution as a partnership firm, it is exposed to the possibility of capital withdrawal, dissolution of the firm upon death, retirement or insolvency of the partner. However, limited withdrawal in the past provides comfort.

Liquidity position: Adequate

The Group's liquidity is expected to remain adequate, supported by its cash and liquid investments, aggregating to approximately Rs. 134 crore as on December 31, 2024 and undrawn working capital facilities. Further, there is an expectation of healthy annual cash flow from operations of over Rs. 80 crore, going forward, which would be sufficient to cover its debt repayments in addition to the fixed assets. The capex funding would be done through a mix of debt and internal accruals. Thus, liquidity is expected to remain comfortable in the medium term.

Rating sensitivities

Positive factors – The Group's ability to commence and ramp-up execution from newly awarded large orders, as per contractual commitments, leading to a material improvement in earnings with sustained healthy profitability and liquidity may lead to a positive rating action.

Negative factors – The Group may face ratings pressure, if it is unable to ramp-up execution as per contractual commitments, resulting in sub-optimal earnings and coverage indicators or a deterioration in its liquidity position. Specific credit metrics include TOL/TNW of more than 1.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Mining
Parent/Group support	None
Consolidation/Standalone	Consolidated; ICRA has taken a consolidated view of TMC and TMC Mineral Resources Pvt. Ltd.

About the company

The Group is promoted by Mr. Atul Dwivedi and his wife, Mrs. Shweta Dwivedi. TMC was incorporated in 2006 as a partnership firm. The Group specialises in MDO, wherein extraction is done based on a plan specifying reserves available in mines. It is involved in undertaking complete underground and open-cast mining projects starting from pre-mining activities, development of mining infrastructure, mining (including mobilising labour, scientific survey, exploration, extraction, crushing, etc.) and its transportation to the clients' stockyard. However, for pre-mining activities such as land acquisition, forest clearance and other statutory clearances, the entity acts as a facilitator between the respective Government authorities and its clients.

Key financial indicators

Consolidated [^]	FY2023	FY2024
Operating income	419.4	507.7
PAT	54.5	80.5
OPBDIT/OI	24.0%	24.2%
PAT/OI	13.0%	15.8%
Total outside liabilities/Tangible net worth (times)	1.3	1.0
Total debt/OPBDIT (times)	0.8	0.6
Interest coverage (times)	10.6	10.4

[^]consolidated financials; consolidation done by ICRA on best effort basis

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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)	Feb 28, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	12.00	[ICRA]A-(Stable)	Jan 31, 2025	[ICRA]A-(Stable)	Nov 22, 2023	[ICRA]BBB+ (Stable)				
Non fund based - Others	Long term/Short term	60.00	[ICRA]A-(Stable)/[ICRA]A2+	Jan 31, 2025	[ICRA]A-(Stable)/[ICRA]A2+		[ICRA]BBB+ (Stable)/[ICRA]A2				
Term Loans	Long term	50.00	[ICRA]A-(Stable)	Jan 31, 2025	-		-				
Unallocated Limits	Long term/Short term	-	-	-	-		[ICRA]BBB+ (Stable)/[ICRA]A2				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Cash Credit	Simple
Long Term /Short Term -Non-Fund based-Other	Very Simple
Long Term-Fund based Term Loans	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	Fund based Cash Credit	-	-	-	12.00	[ICRA]A-(Stable)
NA	Non-fund-based others	-	-	-	60.00	[ICRA]A-(Stable)/[ICRA]A2+
NA	Fund based Term loans	-	-	-	50.00	[ICRA]A-(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	ownership	Consolidation approach
Technoblast Mining Corporation	-	Full Consolidation

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Sumit Jhunhunwala

+91 033 6521 6814

sumit.jhunhunwala@icraindia.com

Giteeka Pai

+91 22 6169 3362

giteeka.pai@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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