



Press Release

M/s Debabrata Behera

October 05, 2020

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Long Term Bank Facilities	74.00	Provisional IVR BBB- (CE); Stable* (Provisional IVR Triple B Minus [Credit Enhancement] with Stable Outlook)	Assigned
2	Short Term Bank Facilities	10.17	Provisional IVR A3 (CE)* (Provisional IVR A Three [Credit Enhancement])	Assigned
		84.17 (Rs eighty four crore and seventeen lakh only)		

*** based on proposed unconditional and irrevocable corporate guarantee from Kashvi Power & Steel Private Limited**

The above rating is "Provisional" and not a comment on the achievability of the projections submitted by the firm. The conversion of provisional rating into final rating will be confirmed once the client fulfils the conditions mentioned below to the satisfaction of Infomerics.

- a. **Sanction of bank facilities and Execution of unconditional and irrevocable Corporate Guarantee deed for the bank facilities.**

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of M/s Debabrata Behera (DBB) derives strength from proposed unconditional and irrevocable corporate guarantee from Kashvi Power & Steel Private Limited (KPSPL). This proposed unconditional and irrevocable corporate guarantee results in credit enhancement in the rating of the said instruments to **Provisional IVR BBB- (CE); Stable /IVR A3 (CE) (Provisional IVR Triple B Minus [Credit Enhancement] with Stable Outlook / Provisional IVR A Three [Credit Enhancement])** against the unsupported rating of IVR BB; Stable (IVR Double B with Stable Outlook).

Further, the ratings also derive strength from its experienced promoters, allocation of mine, locational advantage and ownership of iron and steel manufacturing and trading unit by group companies indicating strong forward integration. However, these rating strengths are partially offset by proprietorship nature of its constitution, nascent stage of operation, exposure to risks inherent in the iron ore mining segment, susceptibility to regulatory changes and linkage to



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the cyclical steel industry. Further, the rating also notes project execution risk and its pending financial closure.

Rating Sensitivities

Upward factors

- Timely completion of the project and earning as envisaged
- Continuance of support from the corporate guarantor and the promoters
- Improvement in the credit profile of the corporate guarantor

Downward Factors

- Cost overrun or delay in completion of projects
- Failure to achieve financial closure
- Deterioration in the credit profile of the corporate guarantor

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoters**

The promoter, Mr. Debabrata Behera (proprietor, aged about 50 years), is a first generation entrepreneur and has more than two and half decades of experience in the business of iron ore trading/exporting, manufacturing of sponge iron, billet and ingots. Before incorporating his first venture, KPSPL, Mr. Behera started his career with Orissa Sponge Iron Ltd in 1991 and worked in various companies in various capacities. Mr. Behera received best “ENTREPRENEUR” award from Govt. of Odisha in 2012. He looks after the day-to-day operations of the entity. Long experience of the proprietor is expected to support the business risk profile of the entity.

- **Allocation of mine**

DBB has acquired Siljora Kalimati Manganese & Iron Ore Mine at Keonjhar district in Odisha for a 50 years lease through the mining auction from the Government of Odisha. The mine has total resources quantity of 3.79 Million Ton of Manganese and 0.72 Million Ton of Iron ore. The mine is in operation from 1946 and covering an area of 715.64 hectare. Currently, the mine has approved EC production capacity of 0.189 million tonnes of Manganese ore & 0.136 million tonne of Iron ore per annum.



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- **Ownership of iron and steel manufacturing and trading unit by group companies indicating strong forward integration**

Kashvi International Pvt Ltd., a group company of DBB under the same promoters, is in manufacturing of sponge Iron and has acquired an iron-ore mining lease in Jaribahal iron ore block during FY20 through mining auction from the Government of Odisha. Further, its sister concern, KPSPL, the flagship company of the group, is in iron ore trading since long. Having own mines and steel plant and trading unit, strengthens the business risk profile of the group as a whole to a large extent.

- **Locational advantage**

DBB, being located in iron and steel industries belt of Eastern India, has easy access to end users which ensures adequate demand of the same at short distance. This apart, the group company KPSPL has been allotted plots at Paradip Port (mechanical + manual) for carrying out export activities. These resulted locational and logistics advantages to DBB.

- **Proposed corporate guarantee from KPSPL**

KPSPL has proposed to extend an unconditional and irrevocable corporate guarantee to the proposed banking arrangements of M/s Debabrata Behera aggregating to Rs.84.17 crore. KPSPL has a strong financial profile and is engaged in trading of iron ore and shopping mall operation since 2010 and has an established presence in the state of Odisha. Going forward, Infomerics believes timely, need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.

Key Rating Weaknesses

- **Proprietorship nature of constitution**

DBB, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at the time of personal contingency and entity being dissolved upon the death/retirement/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

- **Nascent stage of operation**



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Though the Siljora-Kalimati Manganese & Iron Ore Mine is in operation from 1946, the current lease holder, M/s Debabrata Behera has started operation from April 2020. Thus, DBB is in nascent stage of its operation.

- **Project execution risk and financial closure yet to be achieved**

Currently the proprietor has decided to fully mechanise the mining activities and is planning to initiate a mine development project in near future. The detailed project plan is yet to be finalised and financial closer is yet to achieved. Moreover, the entity is planning to raise a term loan for payment of stamp duty and other ancillary expenses related to mine allocation at Siljora-Kalimati.

- **Exposure to risks inherent in the iron ore mining segment and susceptibility to regulatory changes**

Iron-ore prices largely influenced by international commodity prices, demand-supply dynamics and national /international macro-economic trends. Further, regulatory changes like iron-ore mining ban, restrictions in imports/exports have also affected the industry in the past and iron ore export segment was significantly affected during FY15 and FY16 due to global slump in iron ore prices along with mining ban and high export duty structure in India.

- **Linkage to the cyclical steel industry**

Iron ore is one of the crucial raw materials for making steel. Hence pricing of iron ore has high linkage with the global steel demand which is highly cyclical in nature.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of Kashvi Power & Steel Private Limited (KPSPL), provider of proposed unconditional and irrevocable corporate guarantee to the proposed bank facilities of DBB.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Rating methodology for Structure Debt Transaction (Non-securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The operating has started from April 2020. The financial closure has already been achieved. The proposed loan is to be repaid in 60 monthly instalments assumed to commence from April, 2021 onwards. However, the support from the corporate guarantor, Kashvi Power & Steel Private Limited and presence of resourceful proprietor do not indicate much difficulty for the entity in meeting its debt obligations in the medium term and the liquidity of the entity is expected to remain adequate.

About M/s Debabrata Behera

Established in February, 2020, M/s Debabrata Behera (DBB) was set up with the objective to obtain mining lease of iron ore and other similar commodities and bagged SILJORA KALIMATI Manganese & Iron Ore Mine at Keonjhar district in Odisha for a 50 years lease. The mine has total resources quantity of 3.79 Million Ton of Manganese and 0.72 Million Ton of Iron ore. The mine is in operation from 1946 and covering an area of 715.64 hectare. Currently, the mine has approved EC production capacity of 0.189 million tonnes of Manganese ore & 0.136 million tonne of Iron ore per annum. Currently, the mine operating in existing capacity.

The proposed bank facilities of DBB (Rs.84.17 crore comprising term loan, cash credit and bank guarantee) is to be backed by a corporate guarantee from its sister concern Kashvi Power & Steel Private Limited, engaged in Iron-ore Trading and runs a shopping mall. Both DBB and KPSPL are managed by the common promoters.

Mr. Debabrata Behera of Keonjhar district, Orissa, is the proprietor of the entity. Mr. Debabrata Behera has been actively involved in the iron and steel sector from last 25 years through various companies under its fold. Mr. Debabrata is at the helms of affairs of the entity.

Financials of DBB (Standalone): Not applicable as FY21 would be the first year of operation.

About Kashvi Power & Steel Private Limited

Kashvi Power & Steel Private Ltd. (KPSPL) was incorporated in November, 2009 by Mr. Debabrata Behera of Keonjhar, Orissa. Since inception, KPSPL is engaged in



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trading/exporting of iron ore fines. It purchases iron ore fines locally (from Orissa) and sells it to domestic as well as foreign customers (mainly in China). The company has been allotted plots at Paradip Port (mechanical + manual) for carrying out export activities. The company is engaged in these activities since 2010.

To diversify its business, the company has started a shopping cum entertainment mall - Kashvi Taj Mall in Keonjhar, Orissa, which was opened to public in May, 2016. The buildup area of the Mall is around 95000 sqft with a rentable area of about 59500 sq ft. The mall comprises retail shops, a three-screen multiplex, food court and a gaming zone. The mall space is offered on rent for varying period ranging between nine to eighteen years (mostly nine years), with a rent escalation clause after every three years. This apart, the company also has arrangements with Future Group (Big Bazar) whereby a fixed commission on net sales charged on a monthly basis (MG). The company also generates income from maintenance, electricity, parking and advertising.

Mr. Debabrata Behera of Keonjhar district, Orissa, along with Ms. Susmita Behera are the promoter directors of the company. Mr. Debabrata Behera has been actively involved in the iron and steel sector from last 25 years through various companies under its fold. Mr. Debabrata is at the helms of affairs of the company.

Financials of KPSPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Income	136.27	839.48
EBITDA	11.51	26.83
PAT	2.60	11.84
Total Debt	51.47	42.06
Tangible Net worth	44.02	71.60
EBITDA Margin (%)	8.51	3.20
PAT Margin (%)	1.91	1.41
Overall Gearing Ratio (x)	1.17	0.59

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Proposed Term Loan	Long Term	14.00	Provisional IVR BBB-(CE); Stable*	-	-	-
2.	Proposed Cash Credit	Long Term	60.00	Provisional IVR BBB-(CE); Stable*	-	-	-
3.	Proposed Bank Guarantee	Short Term	10.17	Provisional IVR A3 (CE)*			

* based on proposed unconditional and irrevocable corporate guarantee from Kashvi Power & Steel Private Limited

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
Long Term Fund Based-Proposed Term Loan	-	-	-	14.00	Provisional IVR BBB- (CE); Stable*
Long Term Fund Based-Proposed Cash Credit	-	-	-	60.00	Provisional IVR BBB- (CE); Stable*
Short Term Non-Fund Based-Proposed Bank Guarantee	-	-	-	10.17	Provisional IVR A3 (CE)*

* based on proposed unconditional and irrevocable corporate guarantee from Kashvi Power & Steel Private Limited