

Press Release

Gangaramchak Mining Private Limited

16 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	SMERA BBB/ Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 21.00 crore bank facilities of Gangaramchak Mining Private Limited (GMPL). The outlook is '**Stable**'.

Incorporated in 2016- Gangaramchak Mining Private Limited (GMPL) is a joint venture (JV) promoted by Ambey Mining Private Limited (AMPL-holding 51 %) and Godavari Commodities Limited (GCL holding 49 %) to work as mine developer and operator (MDO). The company in 2016 has entered into an agreement with West Bengal Power Development Corporation Limited (WBPDC) to work as a mine developer cum operator for two coal blocks in West Bengal namely Barjore Coal Block (for next 3 years) and Gangaramchak & Gangaramchak Bhadulia Blocks (GGBB) (for the next 11 years). GMPL will carry out the work of excavation of overburden, extraction and crushing of coal.

Key Rating Drivers

Strengths

Experienced management

The promoters of GMPL viz. AMPL and GCL has established track record as mine developer cum operator. AMPL was incorporated in 2005 is part of the Agarwal group and provides a wide array of services in the mining sector like site leveling, excavation, evacuation, surface mining, drilling & blasting, transportation of overburden and coal. The company is currently executing projects for Eastern Coalfields Limited, Bharat Coaking Coal Limited, Central Coalfields Limited, Mahanadi Coalfields Limited etc. It is also working as mining contractors for some marquee private players like CESC, Adani Mining & Essel Mining & Industries Limited. GCL was incorporated in 1994 is part of the Bhutoria group and is engaged in coal trading.

Financial Flexibility

The rating is also supported by the healthy financial flexibility of the promoter companies as reflected by Profit after tax (PAT) of Rs 34.28 crs against revenue of Rs 473.6.0 crs of AMPL in FY 2017. The net worth of AMPL stands at Rs 165.31 crs as on 31st March'2017. In FY 2017- GMPL reported Profit after tax (PAT) of Rs 20.80 crs against revenue of Rs 677.73 crs. The net worth of GMPL stands at Rs 302.04 crs as on 31st March'2017.

Comfortable revenue visibility

GMPL has entered into an agreement with West Bengal Power Development Corporation Limited to work as a Mine Developer cum Operator for the Barjore Coal Block (for next 3 years) and Gangaramchak & Gangaramchak Bhadulia Blocks (GGBB) (for the next 11 years). The total extractable coal reserves in the seams in aggregate have been estimated to 10 Million Metric Tons. (Barjore- 1.24 MMT and Gangaramchak & Gangaramchak Bhadulia- 8.76 MMT). GMPL had started excavation of Over Burden in Nov 2017 for Barjore Coal block and till Feb 2018, they had excavated 80,000 MT of (coal and over-burden). The long term agreement provides comfortable revenue visibility over the medium term.

Locational advantage

The Barjore Coal Block and Gangaramchak & Gangaramchak Bhadulia coal block are located in the Eastern part of Ranigunj Coalfield (Barjore) and Trans-Hingla area of Ranigunj Coalfield (Gangaramchak & Gangaramchak Bhadulia) in Birbhum district which is 35 kms from the WBPDC site thereby providing easy and low transportation cost.. It has multiple advantages like good network of road, skilled & unskilled labour availability, power availability etc.

Weaknesses**Regulatory risk in the mining sector**

The mining environment in India has been highly uncertain with respect to issues like illegal mining and risk attached to mining activities of its client due to sudden change in government policies. Therefore any major regulatory changes may impact the business operations of GMPL.

Risk of delay in project execution

The business is susceptible to financial losses arising out of delay in project execution or lower mining of coal, as there exists a penalty clause for delay/lower mining in contract execution.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of GMPL.

Outlook: Stable

SMERA believes that GMPL will continue to benefit over the medium term from the promoters long experience in business and comfortable revenue visibility. The outlook may be revised to 'Positive' if GMPL achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve projected revenue and profitability due to delay in execution of project.

About the Rated Entity - Key Financials

Not Applicable

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entities - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A3+

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CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

