

Press Release

Gangaramchak Mining Private Limited

January 31, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has re-affirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 18.00 crore bank facilities of Gangaramchak Mining Private Limited (GMPL). Acuite has also assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 3.00 crore bank facilities of 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 %) (rated at ACUITE A-/Stable/A2+) to work as mine developer and operator (MDO). The company had entered into an agreement with West Bengal Power Development Corporation Limited (WBPDC) in 2016 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 in the two blocks. The operations in Barjore Coal Block started from Nov'17 whereas for Gangaramchak & Gangaramchak Bhadulia coal block stage I forest clearance is obtained and stage II is under process.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of GMPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters of GMPL viz. AMPL and GCL has established track record as mine developer cum operator. AMPL 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 Coking Coal Limited, Central Coalfields Limited, Mahanadi Coalfields Limited etc. It is also working as mining contractors for some marquee private players like Calcutta Electric Supply Corporation (CESC). GCL 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 43.65 crore against revenue of Rs 524.67 crore of AMPL in FY 2018. The net worth of AMPL stands at Rs 213.77 crore as on 31st March'2018. In FY 2018- GCL reported Profit after tax (PAT) of Rs 45.13 crore against revenue of Rs 1597.83 crore. The net worth of GCL stands at Rs 347.58 crore as on 31st March'2018.

• 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 December 2018, they had excavated 1,08,2230 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.

Liquidity

GMPL has moderate liquidity marked by negative net cash accruals with no long term debt obligations as on 31 December 2018. Acuite expects the net cash accrual of GMPL will be negative in FY 2018-19 as it is in the first year of operations where the company has to significantly spend on overburden removal to extract coal. Going forward, the liquidity is expected to improve on account of stabilisation of operations. Further, Acuite derives comfort from the healthy liquidity of both the parent companies and the unutilized bank lines of GMPL to the tune of Rs 6 crore which is likely to provide flexibility in case of any exigencies.

Outlook: Stable

Acuite 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 as operations started from November'2017

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-April-2018	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB/Stable (Re-affirmed)
Proposed Long Term facilities	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3 (Re-affirmed)

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About Acuite Ratings & Research:

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