

Press Release

Gangaramchak Mining Private Limited

March 05, 2020

Rating Upgraded



Total Bank Facilities Rated*	Rs.28.00 Cr. (Enhanced from Rs.21.00 cr)
Long Term Rating	ACUITE BBB+ (CE)/ Stable (Upgraded)
Short Term Rating	ACUITE A2 (CE) (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB+ (CE)** (read as ACUITE triple B plus (Credit Enhancement)) from '**ACUITE BBB** (read as ACUITE triple B) and upgraded the short term rating to '**ACUITE A2 (CE)** (read as ACUITE A two (Credit Enhancement)) from '**ACUITE A3+** (read as ACUITE A three plus) to Rs.28.00 crores bank facilities of Gangaramchak Mining Private Limited (GMPL).The outlook is '**Stable**'.

The rating upgrade is on account of improvement in the business risk profile of the company driven by better than expected turnover and profitability levels from the Barjore coal block thereby leading to improved cash accruals. The rating upgrade also factors in the commencement of operation in January 2020 of Gangaramchak & Gangaramchak Bhadulia Block.

Gangaramchak Mining Private Limited (GMPL) was incorporated in 2016 by Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Stable/A2+), who are holding 51 per cent and 49 per cent of shares respectively. The company was appointed as Mine Developer and Operator (MDO), for the Barjore coal block for a period of 3 years and Gangaramchak & Gangaramchak Bhadulia blocks for a period of 10 years, by West Bengal Power Development Corporation Limited (WBDCL). The company is engaged in excavation and delivery of coal including overburden removal, extraction, crushing of coal and transportation of coal from mine face (s) to pit head coal stock and eventually to delivery point and loading of coal onto the railway wagons at assigned delivery point.

Standalone (Unsupported) Rating

ACUITE BB/A4+

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of GMPL to arrive at the rating. Acuité has also factored in support by way of shareholding of GMPL held by AMPL and GCL and unconditional and irrevocable guarantee to GMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter companies, Ambey Mining Private Limited and Godavari Commodities Limited are well established in the coal mining sector and have strong financials. The management of the co-promoter companies have extensive experience; Godavari Commodities Limited has track record of over two decades in the said line of business and Ambey group has been involved in the area of coal mining, loading and transportation for over three decades. Ambey Mining Private Limited and Godavari Commodities Limited promoted a Joint Venture (JV), Transdamodar Mining Private Limited (rated at ACUITE BBB(CE)/Stable/ACUITE A3+(CE)) in 2016, to work as mine developer and operator for 1 coal block for a period of 27 years to produce 1 MTPA of coal, by Durgapur Projects Limited (DPL), which is a Government of West Bengal undertaking. Acuité believes that the long track record of operations of the promoter companies will benefit the company going forward resulting in steady growth in the scale of operations.

- **Comfortable revenue visibility**

The company has entered into an agreement with West Bengal Power Development Corporation Limited (WBPDCL) to function as a Mine Developer and Operator (MDO), for the Barjore Coal Block for a period of 3 years and Gangaramchak & Gangaramchak Bhadulia Blocks for a period of 10 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). The coal extraction in Barjore block has started in June'2018 and the coal extraction in Gangaramchak & Gangaramchak Bhadulia has started in January'2020. Acuité believes the long term agreement provides comfortable revenue visibility over the medium term.

- **Locational advantage**

The coal mine blocks are situated near to the WBPDCL site, which is just 35km away thereby providing easy and low transportation cost. Additionally, it has multiple advantages like good network of road, skilled & unskilled labour availability, power availability etc. Acuité believes that going forward the company will capitalize the locational advantage to enhance profitability.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 397 days in March 31, 2019. The GCA days are high due to high debtor period which is at 254 days as on March 31, 2019. Their customer being a Government agency delays their payment to GMPL thus elongating their receivables. Acuité believes that the company's ability to manage the working capital will be key rating sensitivity.

- **High 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 the company.

Rating Sensitivity

- Working capital management

Material Covenant

None

Liquidity Profile

GMPL has adequate liquidity marked by net cash accruals of Rs.0.87 crore with no long term debt obligations as on 31st March 2019. The current ratio stood at 1.80 times as on March 31, 2019 as compared to 3.19 times as on March 31, 2018. The fund based limit remains utilised at 43 percent over the twelve months ended January, 2020. The cash and bank balances of the company stood at Rs.0.42 crore as on March 31, 2019 as compared to Rs.1.19 as on March 31, 2018. The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 397 days in March 31, 2019. Going forward, the liquidity is expected to improve on account of commencement of operations of Gangaramchak & Gangaramchak Bhadulia Block. Further, Acuité derives comfort from the healthy liquidity of both the parent companies.

Outlook: Stable

Acuité believes that the outlook on GMPL will remain 'Stable' over the medium term on account of vast experience of the promoters, long track record of operations and healthy financial risk profile of the parent companies. The outlook may be revised to 'Positive' in case the company achieves more than

envisioned sales and profitability and shows improvement in working capital intensity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve projected revenue and profitability or in case of further elongation in their working capital cycle and stretch in liquidity profile.

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <http://acuite.in/view-rating-criteria-8.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.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
31-Jan-2019	Cash Credit	Long Term	7.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Long Term facilities	Long Term	3.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	11.00	ACUITE A3+ (Assigned)
16-Apr-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	20.00 (Enhanced from Rs.7cr)	ACUITE BBB+(CE) /Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00 (Reduced from Rs.11cr)	ACUITE A2 (CE) (Upgraded)

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About Acuité Ratings & Research:

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