

Press Release

Gangaramchak Mining Private Limited

March 31, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.32.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.32 Cr bank facilities of Gangaramchak Mining Private Limited (GMPL). The outlook is '**Stable**'.

The rating on GMPL takes into account a steady growth in its revenues and experienced management of the promoter companies Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Negative/A2+). The rating is also supported by the sound financial flexibility of the promoter companies as well as the locational advantage of the company. These strengths are, however, partly offset by the working capital intensity of the business and weak financial risk profile.

About the company

Incorporated in 2016, Gangaramchak Mining Private Limited (GMPL) was promoted by Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL), who are holding 51 per cent and 49 per cent of shares respectively. The company has been appointed 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, by West Bengal Power Development Corporation Limited (WBPDCL), which is a Government of West Bengal undertaking. 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.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of GMPL to arrive at the rating. However, Acuité has taken into account the strong parentage of the entity by way of shareholding held by AMPL and GCL along with an unconditional and irrevocable guarantee extended to GMPL in proportion to their stake. The analytical approach has also been revised from a Credit Enhancement (CE) to a standalone rating with a notch up based on support from the key stakeholders.

Key Rating Drivers

Strengths

- **Experienced management and financial flexibility**

The promoter companies, Ambey Mining Private Limited and Godavari Commodities Limited are well established in the coal mining sector. The management of the sponsor 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 have also promoted another Joint Venture (JV), Transdamodar Mining Private Limited. Acuité believes that the long track record of the sponsor companies in the coal sector will benefit TMPL going forward resulting in steady growth in its scale of operations. Further, the rating is also supported by the healthy financial flexibility of the promoter companies. Both AMPL and GCL have extended an unconditional and irrevocable guarantee to the rated bank facilities in proportion of their shareholdings.

- **Steady business risk profile**

The turnover levels of GMPL have doubled at Rs.90.99 Cr in FY2020 as compared to revenues of Rs.45.50 Cr in FY2019. The operation has started in January 2020 in Gangaramchak & Gangaramchak Bhadulia coal block. The company has achieved revenues of around Rs.115 Cr till 31st December 2020 (provisional). Acuité believes that consistent revenue growth would aid in enhancing the business risk profile over the medium term. The company has achieved profit after tax (PAT) of Rs.5.58 Cr in FY2020 as compared to Rs.0.83 crore in FY2019. The long term coal mining service agreement between GMPL and West Bengal Power Development Corporation Limited (WBPDCL) 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 on the locational advantage to enhance profitability.

Weakness

- **Weak but improving financial risk profile**

The company's weak financial risk profile is marked by low networth, high gearing and healthy debt protection metrics. The net worth of the company stood at Rs.3.46 Cr as on March 31, 2020. Gearing of the company stood high at 14.91 as on March 31, 2020. The debt of Rs.51.55 Cr consists of debentures of Rs.12.00 Cr, unsecured loan of Rs.22.85 Cr and working capital from the bank of Rs.16.70 Cr as on March 31, 2020. The debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 1.90 times as on March 31, 2020 and Debt Service Coverage Ratio (DSCR) at 1.79 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.11 times as on March 31, 2020. However, Acuité believes that going forward the financial risk profile of the company will improve through steady accruals and no major debt funded capex plans.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 271 days as on 31st March 2020 as compared to 397 days as on 31st March 2019. The GCA days are high on account of high debtor days, which stood at 128 days as on 31st March 2020 as compared to 254 days as on 31st March 2019. Their customer being a Government agency delays their payment to GMPL thus elongating their receivables. Going forward, Acuité believes that the operations would remain working capital intensive mainly due to high debtors' level.

Rating Sensitivity

- Elongation in working capital cycle
- Deterioration in financial risk profile

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.5.68 Cr as on March 31, 2020 as against no long term debt repayment over the same period. The current ratio stood comfortable at 1.84 times as on March 31, 2020 as compared to 1.80 times as on March 31, 2019. The cash and bank balances of the company stood at Rs.2.18 Cr as on March 31, 2020 as compared to Rs.0.42 Cr as on March 31, 2019. The company has not availed any loan moratorium but applied for additional Covid loan of Rs.4 Cr. However, the fund based limit remains utilised at 79 per cent over the twelve months ended January 2021. The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 271 days as on 31st March 2020 as compared to 397 days as on 31st March 2019. Going forward, the liquidity is expected to improve on account of stabilisation of operations. Further, Acuité also derives significant comfort from the healthy liquidity position of both the sponsor companies.

Outlook: Stable

Acuité believes that the outlook on GMPL will remain 'Stable' over the medium term on account of the sponsors' experience in the coal mining sector, long track record of operations and strong business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its working capital management and financial risk profile while increasing its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its leverage and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	90.99	45.50
PAT	Rs. Cr.	5.58	0.83
PAT Margin	(%)	6.13	1.83
Total Debt/Tangible Net Worth	Times	14.91	(16.04)
PBDIT/Interest	Times	1.90	1.33

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
05-Mar-2020	Cash Credit	Long term	20.00	ACUITE BBB+ (CE)/Stable (Upgraded)
	Bank Guarantee	Short Term	8.00	ACUITE A2 (CE) (Upgraded)
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+ (Reaffirmed)
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	ACUITE BBB+/Stable (Reaffirmed)
GECL	Not Available	Not Available	Not Available	4.00	ACUITE BBB+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2 (Reaffirmed)

Contacts

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About Acuité Ratings & Research

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