Press Release

Gangaramchak Mining Private Limited

May 27, 2022

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE A- | Stable | Upgraded	-
Bank Loan Ratings	8.00	-	ACUITE A2+ | Upgraded
Total Outstanding Quantum (Rs. Cr)	32.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE A-** (read as ACUITE A minus) from 'ACUITE BBB+' (read as ACUITE triple B plus) and also upgraded the short-term rating to 'ACUITE A2+' (read as ACUITE A two plus) from '**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 upgrade is on account of overall improvement in the business risk profile of the company marked by substantial increase in the turnover and absolute profitability levels thus translating into higher cash accruals, which is backed by increasing production capacity led by steep demand in the power sector due to coal crisis. The rating also draws comfort from the improved gearing and comfortable credit metrics and strong parentage. These strengths are partially offset by working capital intensive management and susceptibility to risks of heightened regulations and inherent cyclicality in the mining industry.

About the Company

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 and Gangaramchak & Gangaramchak Bhadulia blocks, by West Bengal Power Development Corporation Limited (WBPDCL) (rated at ACUITE A-/Stable/A2+). 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 rating has been notched up based on support from the key stakeholders and its strategic importance as an MDO of captive mines of WBPDCL.

Key Rating Drivers

Strengths

Strong Parentage

The promoter companies, Ambey Mining Private Limited (AMPL) (rated at CARE A+/Stable/A1) and Godavari Commodities Limited (GCL) (rated at ACUITE A-/Stable/A2+) are well established in the coal mining sector and have strong liquidity positions. 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 has also promoted another Joint Venture (JV), Transdamodar Mining Private Limited (rated at ACUITE BBB+/Stable/ACUITE A2) in 2016, to work as mine developer and operator for 1 coal bock for a period of 27 years to produce 1 MTPA of coal, by Durgapur Projects Limited (DPL) (rated at ACUITE BBB+/Stable/ACUITE A2), 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. Acuité also draws comfort from the unconditional, continuing and irrevocable guarantee from both AMPL and GCL, and an unconditional undertaking by both for securing principal and interest obligations on the company's entire debt.

Steady improvement in the Business Profile

The company has achieved revenues of Rs. 174.91 Cr in FY2021 as compared to revenues of Rs 90.99 Cr in FY2020. The company has achieved revenues of Rs ~189.56 Cr till March 2022(Provisional). Over Burden Removal (OBR) was consistently high throughout the year with large strips of OB excavated, despite Covid imposed slowdown. The company maintained a consistent growth trajectory in OBR throughout FY21, which further increased in FY22. GMPL has excavated 4.57 Million Cubic Metres (M.Cu.M) of OB during FY21 which improved to 6.26 M.Cu.M in FY22. This has actually increased the coal production in FY22 to 1.6MTPA from 1.3MTPA in FY21. Acuité believes that the increasing OBR will facilitate faster production of coal in future and hence a positive revenue growth expected would aid the business risk profile going forward.

Backed by constant optimisation of process and reduction in operational overheads, there has been a steady expansion of overall operating profit margin which increased to 14.05 per cent as on 31st March, 2022 (Prov) as compared to 12.04 per cent in FY21. The PAT margins also improved to 8.75 per cent in FY2022 (Prov) as compared to 4.99 per cent in the previous year. The Return on Capital Employed (ROCE) of the company continued to be strong at 39.25 per cent in FY2022 (Prov) and is expected to remain comfortable in the near term.

Expected enhancement in production and offtake from Q1FY23

India's coal production is likely to be higher yoy in Q1FY23 in line with pre-covid levels. In Q1FY22, coal production was 9.4% lower than that in Q1FY20. Coal offtake is also likely to be higher yoy in Q1FY23, especially from the power sector amid sustained high import prices, for pre-monsoon re-stocking at power plants up to the government mandated levels of 45 million tonnes (MT). Likewise, the mining plan of GMPL for Bhadulia coal block has also been revised to production capacity of 2MTPA from 1MTPA since April'23 without any cost implication to WBPDCL, to keep up with the increasing appetite of coal. With the intense demand for coal continuing unabated driven by an upward spiral in the electricity generation, the management intends to increase the capacity to 3MTPA further for the Bhadulia block and it is in discussion about the same with WBPDCL.

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 derives comfort from the mine's locational advantage on account of its proximity to the power plant, which which result in freight cost savings.

Weaknesses

Below average albeit improving financial risk profile

The company's financial risk profile is marked by low albeit increasing networth base, improved gearing and comfortable debt protection metrics. The tangible net worth of the company improved to Rs.12.17 Cr as on March 31, 2021 and further to Rs.28.64 Cr as on March 31, 2022 (Prov) from the negative networth base of the previous years on account of ploughing back of profits. Even though the gearing of the company stood high at 5.85 times as on March 31, 2021, it substantially improved to 1.66 times as on March 31, 2022 (Prov). This is attributable to repayment of unsecured loans along with expanding networth base with profit retention. The parent company GCL along with other promoters have extended significant financial support to the company, via unsecured loans to cover working capital and debt obligations. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 22.34 times as on March 31, 2021 and improved to 9.85 times as on March 31, 2022 (Prov). The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 2.20 times and Debt Service Coverage Ratio at 1.91 times as on March 31, 2021. The surge in earnings in FY2022 supported by reduced debt and high accruals led to further improvement in the credit metrics as both Interest Coverage Ratio Debt Service Coverage Ratio stood strong at 3.39 times and 2.55 times respectively as on March 31, 2022(Prov). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times as on March 31, 2021 and 0.35 times as on March 31, 2022 (Prov). Acuité believes that GMPL's financial profile has strengthened further in FY2022 and the same is likely to sustain going forward, supported by healthy internal accrual generation and no major increase in the company's debt levels in absence of any major debt funded capex plans.

Rating Sensitivities

- Elongation in working capital cycle
- Enhancement of production capacity to 3MTPA
- Change in capital structure

Material covenants

None

Liquidity Position: Adequate

GMPL's liquidity is adequate marked by steady net cash accruals of Rs.16.65 Cr as on March 31, 2022 (Prov) as against long term debt repayment of only Rs. 0.88 Cr over the same period. The current ratio stood comfortable at 1.87 times as on March 31, 2021 as compared to 1.86 times as on March 31, 2020. Moreover, the cash and bank balances of the company stood at Rs.13.32 Cr as on March 31, 2021, which is entirely retained as current account balance. However, the average utilisation of the fund-based limits stood moderate at ~74 per cent during the last 6 months ended March 2022. Also the working capital management of the company is high marked by Gross Current Assets (GCA) of 248 days in 31st March 2021 as compared to 274 days in 31st March 2020 on account of high level of current assets due to significant unbilled revenue and stretched receivables. The only debtor of the company is West Bengal Power Development Corporation Limited (WBPDCL) which is a state government entity and GMPL is the MDO of two of the captive mines owned by the WBPDCL. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals even though the company is exposed to counterparty credit risk associated with WBPDCL, given its moderate financial risk profile.

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 thecompany 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	174.91	90.99
PAT	Rs. Cr.	8.73	5.58
PAT Margin	(%)	4.99	6.13
Total Debt/Tangible Net Worth	Times	5.85	14.91
PBDIT/Interest	Times	2.20	1.90

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2021	Bank Guarantee	Short Term	8.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB+ | Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ | Stable (Reaffirmed)
05 Mar 2020	Bank Guarantee	Short Term	8.00	ACUITE A2(CE) (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	20.00	ACUITE BBB+ (CE) | Stable (Upgraded from ACUITE BBB | Stable)
31 Jan 2019	Cash Credit	Long Term	7.00	ACUITE BBB | Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.00	ACUITE BBB | Stable (Reaffirmed)
	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+ | Upgraded
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A- | Stable | Upgraded
RBL Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A- | Stable | Upgraded

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About Acuité Ratings & Research
Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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