



**Press Release**  
**Gangaramchak Mining Private Limited**  
**August 22, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	20.00	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	13.00	-	ACUITE A2+   Assigned
Bank Loan Ratings	12.00	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	75.00	-	-

**Rating Rationale**

**Rating Rationale**

Acuite has reaffirmed its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) and its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.32.00 Cr bank facilities of Gangaramchak Mining Private Limited (GMPL). The outlook is '**Stable**'.

Furthermore, Acuite has assigned its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) and its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.43.00 Cr bank facilities of Gangaramchak Mining Private Limited (GMPL). The outlook is '**Stable**'.

**Rationale for Rating Reaffirmation**

The rating takes into account the sound business risk profile of the company majorly driven by improvement in revenue and profitability. The revenue from operations of the company increased to Rs. 362.93 Cr. in FY2023 compared to Rs. 189.55 Cr. in FY2022 on account of stabilisation of its operations supported by increase in production capacity and robust demand in the power & steel industries during the period. Furthermore, the operating profit margin of the company increased to 44.47 percent in FY2023 as against 18.27 per cent in FY2022 majorly on account of receivable of escalation cost dues of past two years from the government. However, Acuite also takes note that such rise in operating profit margin is a one-time event and going forward it is expected to moderate and remain at 20 -25 percent range.

The rating also factors healthy financial position, characterized by a moderate net worth base, low gearing and the debt protection metrics remain robust. The rating also draws comfort from parental support with financial flexibility provided to the company as and when required.

However, these strengths are partially offset by intensive working capital management reflected by high Gross Current Asset (GCA) days on account of stretched receivables. The rating is further constrained by the vulnerability to regulations and the inherent cyclicity

within the mining sector.

## **About the Company**

Established in 2016, Gangaramchak Mining Private Limited (GMPL) was founded through a collaboration between Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (rated ACUITE A-/Stable/A2+), with shareholdings of 51 percent and 49 percent respectively. GMPL was designated as the Mine Developer and Operator (MDO) for the Barjore coal block and Gangaramchak & Gangaramchak Bhadulia blocks by West Bengal Power Development Corporation Limited (WBPDCCL) (rated ACUITE A-/Stable/A2+). The company's operations encompass coal excavation, overburden removal, coal extraction and crushing, along with coal transportation from the mine face to the coal stock at the pit head, and ultimately to the delivery point. Additionally, the company is responsible for loading coal onto railway wagons at the designated delivery point.

### **Standalone (Unsupported) Rating**

Acuite BBB/Stable

### **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 with financial flexibility provided to the company and will continue to do so as and when required. Earlier, GCL and AMPL has extended corporate guarantee to GMPL which has been released as per the latest sanction letter as the company's operations are now self-sustainable. The rating has been notched up based on support from the key stakeholders and its strategic importance as an MDO of captive mines of WBPDCCL.

### **Key Rating Drivers**

#### **Strengths**

#### **Augmentation in business risk profile supported by stable operations and strategic location**

The business risk profile of the company has witnessed continuous improvement over last two years on account of stabilisation in its operations. In FY2023, the company achieved revenues of Rs. 362.93 Cr, a significant rise from Rs. 189.55 Cr in FY2022. The Over Burden Removal (OBR) remained consistently high throughout the year, involving substantial excavation of OB strips. The company's growth trajectory in OBR remained steady during FY2022 and further escalated in FY2023. GMPL excavated 6.26 Million Cubic Metres (M.Cu.M) in FY2022, which then improved to 11.04 M.Cu.M of OB in FY2023. As a result, coal production for FY2023 increased to 1.7 MTPA from the previous 1.6 MTPA in FY2022. Acuité believes that this upward trend in OBR will expedite coal production in the future, leading to positive revenue growth and enhancing the business's risk profile going forward.

Furthermore, the operating profit margin of the company improved to 44.47 percent in FY2023 from 18.27 percent in FY2022. The growth was majorly supported by reduction of escalation cost dues of past two years from the government and consistent process optimization and reduction in operational expenses. However, Acuité also takes note that such rise in operating profit margin is a one time event and going forward it is expected to moderate and remain at 20 -25 percent range. The company also reported PAT of Rs.114.84 Cr. in FY2023 as against Rs.18.84 Cr. in FY2022.

The coal mine blocks are located in close proximity to the WBPDCCL site, being only 35 km away, resulting in convenient and cost-effective transportation. Furthermore, there are several benefits such as well-developed road infrastructure, the availability of skilled and unskilled labor, and a stable power supply. Acuité believes that in the future, the company will leverage this advantageous location to further enhance profitability.

#### **Strong Parental support**

The promoter entities, Ambey Mining Private Limited (AMPL) and Godavari Commodities Limited (GCL) (Rated at ACUITE rating of A-/Stable/A2+), are firmly established in the coal mining sector and exhibit robust liquidity positions. The management of these co-promoters

possesses extensive expertise; Godavari Commodities Limited boasts a track record spanning over two decades in this line of business, while the Ambey group has been engaged in coal mining, loading, and transportation for over three decades. Additionally, Ambey Mining Private Limited and Godavari Commodities Limited have also fostered another Joint Venture (JV) named Transdamodar Mining Private Limited (rated at ACUITE A-/Stable/ACUITE A2+) back in 2016. This JV was established to serve as a mine developer and operator for a coal block, sanctioned for a 27-year term, to produce 2 MTPA of coal. The coal block was assigned by Durgapur Projects Limited (DPL), a Government of West Bengal undertaking. Acuité holds the belief that the extensive operational history of the promoter companies will prove advantageous for the company's future, leading to consistent growth in operational scale.

### **Healthy financial risk profile**

The company's healthy financial risk profile is marked by increasing net worth base, improved gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs.145.08 Cr as on March 31, 2023 as against Rs.31.11 Cr as on March 31, 2022 due to reinvesting profits. The gearing of the company stood low at 0.31 times as on March 31, 2023, attributed to repaying unsecured loans and expanding networth through profit retention. The financial risk profile of the company is also supported by financial support received from its parent companies through unsecured loans for managing its operations. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.70 times as on March 31, 2023. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 17.92 times and Debt Service Coverage Ratio at 11.94 times as on March 31, 2023. The increase in FY2023 earnings, coupled with reduced debt and high accruals, contributed to further enhancement of credit metrics. The Net Cash Accruals/Total Debt (NCA/TD) stood at 2.59 times as on March 31, 2023.

Acuité believes that GMPL's financial profile has strengthened in FY2023 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.

### **Weaknesses**

#### **Working capital intensive operations led by stretched receivables**

The operation of the company is working capital intensive marked by high albeit improving gross current asset days of 224 days in 31st March 2023 as compared to 241 days in 31st March 2022. The high level of GCA days is on account of stretched receivables. The debtor period stood high at 179 days as on 31<sup>st</sup> March 2023 as compared to 205 days as on 31st March 2022. The only debtor of the company is West Bengal Power Development Corporation Limited (WBPDCCL) which is a state government entity and GMPL is the MDO of two of the captive mines owned by the WBPDCCL. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from the inherently high debtor period and the company's exposure to counterparty credit risk associated with WBPDCCL, given its healthy financial risk profile.

### **Rating Sensitivities**

- Elongation in working capital cycle
- Any deterioration in liquidity profile due to stretched receivable
- Enhancement of production capacity to 3MTPA
- Change in capital structure

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has an adequate liquidity marked by steady net cash accruals of Rs.115.09 Cr as on March 31, 2023 as against long term debt repayment of only Rs. 1.32 Cr over the same

period The current ratio stood comfortable at 4.53 times as on March 31, 2023 as compared to 2.11 times as on March 31, 2022. The cash and bank balances of the company stood at Rs.8.18 Cr as on March 31, 2023. Moreover, the average utilisation of the fund-based limits stood moderate at ~31 per cent during the last six months ended March 2023. However, the working capital intensive management of the company is by high albeit improving Gross Current Assets (GCA) of 224 days in 31st March 2023 as compared to 241 days in 31st March 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### **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.

### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	362.93	189.55
PAT	Rs. Cr.	114.84	18.84
PAT Margin	(%)	31.64	9.94
Total Debt/Tangible Net Worth	Times	0.31	1.61
PBDIT/Interest	Times	17.92	3.72

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

Not Applicable

### Any other information

Not Applicable

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 May 2022	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	20.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Covid Emergency Line	Long Term	4.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
RBL Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A2+   Reaffirmed
RBL Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A2+   Reaffirmed
RBL Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A2+   Assigned
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Reaffirmed
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A-   Stable   Assigned



## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.