



Press Release
Gangaramchak Mining Private Limited
June 13, 2024
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	25.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	75.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) and its short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the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.75.00 Cr bank facilities of Gangaramchak Mining Private Limited (GMPL).

The rating is being withdrawn on account of the request received from the company and the No Objection Certificate (NOC) received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

Rationale for Rating

The rating continues to reflect the company's comprehensive business risk profile, highlighted by a significant upswing in turnover and absolute profitability. This translates to elevated cash accruals, supported by the heightened production capacity driven by a robust demand in the power sector, stemming from the coal crisis. The rating also give assurance in the enhanced gearing, comfortable credit metrics, and solid parentage. These advantages are somewhat counterbalanced by the management's reliance on working capital, as well as vulnerability to heightened 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/A1), 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 (WBPDC) (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. The directors of the company are Mr. Rajesh Kumar Sharma and Mr. Somnath Chakraborty.

Unsupported Rating

Acuite BBB

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

Strong Parentage

The promoter entities, Ambey Mining Private Limited (AMPL) (rated at CARE rating of A+/Stable/A1) and Godavari Commodities Limited (GCL) (Rated at ACUITE rating of A/Stable/A1), 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 improvement in the Business Profile

In FY2024(Prov.), the company achieved revenues of Rs. 544 Cr, a significant rise from Rs. 362.93 Cr in FY2023. 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 FY2023 and further escalated in FY2024. 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. 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 44.47 per cent in FY2023 as compared to 18.27 per cent in FY2022. However, there was a slight dip in profitability in FY2024(Prov.) to about 37%. The PAT margins also declined to 26.30 per cent in FY2024 (Prov.) as compared to 31.64 per cent in FY2023 as per expectation. The Return on Capital Employed (ROCE) of the company continued to be strong at 74 per cent in FY2024 (Prov.). However, going forward the company is expecting that the margin will remain between 22 to 25 percent in the near term.

Locational advantage

The coal mine blocks are situated near to the WBPDCCL site, which is just 35 km 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.

Weaknesses

Susceptibility to risks related to heightened regulations in the mining industry

Operational and regulatory risks in the mining industry have increased significantly in recent years. Regulatory actions have largely been to clamp down on illegal mining, and have included withholding of permits, and ban on export and mining. However, as GMPL operates as an MDO for WBPDCCL, which is a state government entity, the risk is moderated to a large extent.

Working capital intensive nature of operation

The working capital intensive management of the company is marked by high albeit improving Gross Current Assets (GCA) of 219 days in 31st March 2024(Prov.) as compared to 224 days in 31st March 2023. The high level of GCA days is on account of stretched receivables. The debtor period stood high at 180 days as on 31st March 2024 (Prov.) as compared to 179 days as on 31st March 2023. The only debtor of the company is

West Bengal Power Development Corporation Limited (WBPDC) which is a state government entity and GMPL is the MDO of two of the captive mines owned by the WBPDC.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

GMPL's liquidity is adequate marked by steady net cash accruals of Rs.143.35 Cr as on March 31, 2024(Prov.) as against long term debt repayment of only Rs. 1.39 Cr over the same period. The current ratio stood comfortable at 4.20 times as on March 31, 2024(Prov.) as compared to 4.53 times as on March 31, 2023. Moreover, the cash and bank balances of the company stood at Rs.25 Cr as on March 31, 2024(Prov.). Furthermore, the average utilisation of the fund-based limits stood moderate at ~18.94 per cent during the last eight months ended January 2024. However, the working capital intensive management of the company is by high albeit improving Gross Current Assets (GCA) of 219 days in 31st March 2024(Prov.) as compared to 224 days in 31st March 2023.

Outlook: Not Applicable

Other Factors affecting Rating

None

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

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

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	13.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
27 May 2022	Bank Guarantee/Letter of 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 (BLR)	Short Term	8.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB+ Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A2+ Reaffirmed & Withdrawn
RBL Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A2+ Reaffirmed & Withdrawn
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A- Reaffirmed & Withdrawn

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Gangaramchak Mining Private Limited
2	Ambey Mining Private Limited
3	Godavari Commodities Limited

Contacts

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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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