

Press Release

Gangamai Industries And Constructions Limited

September 05, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	430.22	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	80.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	510.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of 'ACUITE BBB+' (read as ACUITE triple B plus) on the Rs. 430.22 Cr long term bank facilities and its short-term rating of 'ACUITE A2' (read as ACUITE A two) on the Rs. 80.00 Cr. short term bank facilities of Gangamai Industries and Constructions Limited (GICL). The outlook is 'Stable'.

Rationale for Rating Assigned

The rating considers the integrated business operations for the sugar division and stable income generation from the EPC business, the favourable plant location leading to adequate daily cane procurement, the healthy revenue growth trajectory demonstrated by the company over the last three years and during 4MFY2023 along with the extensive experience of the promoters and their presence in the diverse industries from over 3 decades. GICL's financial risk profile and debt coverage indicators remain moderate. The rating also takes into consideration the company's ongoing capex plan in the distillery and ethanol division in FY2023, which is expected to lead to better revenue visibility considering the government's focus on ethanol fuel blending. These rating strengths are partly offset by working capital intensive nature of operations along with cyclical and regulated nature of sugar industry coupled with certain project execution risk related to its ongoing distillery expansion and HAM project.

About the Company

Gangamai Industries & Constructions Limited (GICL; previously known as Gangamai Sugar Industries Limited), is a part of Padmakar Mulay Group of Industries of Aurangabad, Maharashtra and was incorporated in May 1999. The company has sugar factory with (installed capacity 7,500 tons crushed per day [TCD] operational since February 2013), while it started with forward integration from October 2013 in power (co-generation plant of capacity 32 mega-watts [MW] distillery capacity of 150 kilo liters per day [KLPD], Ethanol capacity of 250 KLPD. The company is also involved in construction of road/railways/irrigation projects within the state of Maharashtra. The current operations of the company are managed by Mr. Ranjeet Mulay.

Analytical Approach

Acuité has considered a standalone approach while assessing the business and financial risk profile of GICL.

Key Rating Drivers

Strengths

Experienced promoters and long track record of operations

GIACL is a part of Padmakar Mulay Group of Companies of Aurangabad, incorporated in May 1999. The group has diversified business interests in the Agriculture, Sugar, Construction and Education sector. The group is led by Mr. Padmakar H Mulay an industrialist having more than 45 years of rich experience. Further, GICL has more than 23 years of track record in the production of sugar and holds an established market position in the industry. The current Managing Director Mr. Ranjeet Padmakar Mulay holds an experience of more than 10 years in the sugar industry. Further, the company has sufficient arrangements and agreements made with the farmers for daily procurement of cane. Further, its long-standing experience in the industry, has enabled the company to create strong relationships with its customers from both government and private players. Some of the customers of GICL include names like Indian Sugar Exim Corporation, Maharashtra State Electricity Board, Bharat Petroleum, Hindustan Petroleum, NHAI, MSRDC among others.

Diverse revenue streams with consistent improvement in the operating performance

GICL is currently operating a 7500 TCD cane crushing plant in Ahmednagar, Maharashtra. Under the sugar division, the company operates a fully integrated setup which includes production of sugar, ethanol, distillery and electricity in excess of the captive consumption. The company has a 150 KLPD distillery a 250 KLPD Ethanol plant along with a 32MW Cogen power plant installed in its manufacturing unit. GICL has tied up with companies like Hindustan Petroleum and Indian oil to provide ethanol for the purpose of fuel blending. Further, GICL has signed a 15-year contract with MSEB for supply of 100% of its generated power to Maharashtra State Electricity Board (MSEB). Additionally, the company also handles EPC contracts and has undertaken a few governments roadway projects in the past. The company is undertaking the construction of a HAM project of NHAI at AUSA-Chakur, Maharashtra. The project is expected to be completed by Aug 2023.

GICL's revenue on a consolidated level for past three years has shown a stable growth with consistent increase in its crushing capacity. The revenue of the company has grown at a CAGR of 10 percent to Rs.927 crore over the last three years through FY2022. the company has also shown improved operating performance during 4MFY2023. GICL has reported revenues to the tune of Rs. 595 Cr during 4MFY2023. Further, GICL produced around 13.41 lacs Qtl. sugar in FY2022 (Prov.), against 11.78 lakh Qtl. in FY2021 and 5.33 lakh Qtl. in FY2020. Its sugar revenue stood at Rs. 328.63 Cr. in FY2022 (Prov.) against Rs. 269 Cr. in FY2021 and Rs. 235 Cr. in FY2020. The distillery and ethanol revenues stood at Rs. 226 Cr. in FY2022 (Prov.) against Rs. 137.04 Cr. in FY2021. Further, the company generated revenue of Rs. 47 Cr. and Rs. 315 Cr. during FY2022 (Prov.) through its Power and EPC division. The operating margins stood at 14.91 percent during FY2022 (Prov.) against 16.91 percent in FY2021. The EBITDA margin in FY2021 was high at 16.91% on account of export subsidy received by company under the GOI's initiative to push the sugar export in that particular year. Further, the PAT margins have improved on increased topline on account of stable depreciation and interest costs and stood at 5.27 percent in FY2022 against 3.56 percent in FY2021.

The company is in further plans to expand its distillery capacity to 300 KLPD and ethanol capacity to 500 KLPD which is expected to add additional revenues in the near future. The company has registered a good improvement in its operating performance in FY2022 with all the segments contributing to the increase. However, Acuite believes completion of the current distillery expansion and the ongoing EPC project without significant time & cost overruns will remain a key rating sensitivity factor.

Comfortable financial risk profile

GICL has a comfortable financial risk profile albeit moderately high, yet improving gearing, and comfortable coverage indicators. The tangible net worth of the company stood at around Rs. 264.02 Cr. as on March 31, 2022 (Prov.) against Rs. 135 Cr. as on March 31, 2021. Out of Rs. 264.02 Cr. unsecured lending amounting to Rs. 79.25 Cr has been subordinated with the bankers and the same has been considered as quasi equity. The gearing although moderately higher stood at 1.63 times as on March 31, 2022 (Prov.) after inclusion of Rs. 79.25 Cr in quasi equity (before adjustments gearing stood at 2.76 times) against 1.68 times as on March 31, 2021. The coverage indicators stood comfortable and improved marginally with interest coverage at 2.84 times in FY2022 (Prov.) against 2.20 times in FY2021. and DSCR at 1.78 times in FY2022(Prov.) against 1.43 times in FY2021. Going forward, the gearing is expected to improve in absence of any additional debt and expected to remain at around 1.40 times during FY2023.

Weaknesses

Current expansion within distillery and construction segments exposing the company to certain project execution risk

The company is under process to increase its Distillery and Ethanol capacity from 150 KLPD and 250 KLPD to further 300 KLPD and 500 KLPD respectively. The total cost of the project is around Rs. 92 crore which has been funded by Rs. 60 crore debt and balance through internal accruals. The project completion is expected in Oct 2022 and all the plans and approvals are in place. However, timely execution of the same will remain key monitorable. Further, under its construction segment, GICL has formed a SPV (Gangamai Kalyan ACR) to construct a four laning road at AUSA Chakur, Maharashtra which is part of National Highway 361 near Aurangabad under the Hybrid Annuity Model (HAM). The total project cost for the proposed four laning road is estimated at around Rs. 952 Cr. Means of finance through which funds would be raised include NHAI support (Rs.437Cr.) GICL's equity contribution (Rs.164 Cr.) and Bank Term loan (Rs.350 Cr.) The project has currently only completed 50% of the physical progress which exposes it to certain project execution risk. However, this risk is mitigated to some extent basis the benefits derived from an annuity-based revenue model and technical support for the said project is availed from a public limited company Kalyan Toll Infrastructure Limited which is registered as Class 'A' contractor with PWD, Maharashtra & Madhya Pradesh and has executed more than Rs. 1600 Cr. of orders.

Working capital intensive operations

GICL's operations are moderately working capital intensive marked by GCA of 186 days in FY2022 (Prov.) against 221 days in FY2021 and 184 days in FY2020. The sugar crushing primarily happens during the month of Oct-April, post monsoon creating high inventory towards the end of the year. Inventory days of GICL improved and stood at 111 in FY2022 (Prov.) against 167 in the previous year. Further, this also results in increased receivables towards the end of the year. Debtor days during FY2022 (Prov.) stretched marginally and stood at 61 days against 48 days in the previous year. Hence the working capital changes and increase in the receivable cycle, may make the company more dependent on the outside limits. However its working capital utilisation for last six months ended May 2022 stood comfortable at around 65%. Further, GICL being operational from a long time enjoys some credit period from its suppliers marked by creditors days of 76 and 116 during FY2022 (Prov.) and FY2021 respectively. Further, the promoters have extended timely support to the company and currently around Rs. 138 Cr. has been infused in the form of USL by the promoters.

Cyclical and regulated nature of sugar industry

Sugar industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it classifies as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies

Rating Sensitivities

- Timely execution of the ongoing Distillery and EPC project without significant cost over

- runs
- Further elongation in the working capital cycle

Material covenants

None

Liquidity Position

Adequate

GICL's liquidity is currently adequate to meet its maturing obligations. The NCA during FY2022 (Prov.) stood at Rs. 75.91 Cr. against maturing obligations close to Rs. 22 Cr. Going ahead, the company is expected to generate accruals in the range of Rs. 100-110 Cr during FY2023 and FY2024 against the obligations of around Rs. 32 Cr. marking a sufficient cushion between the accruals and the obligations. Further, the working capital utilisations of the company have been moderate at around 65% in the last six months ended May-22. The company has unencumbered cash reserves of around Rs. 15 Cr as on March 31, 2022 (Prov.)

Outlook: Stable

Acuité believes that GICL will maintain 'Stable' outlook over the medium term on the back of its experienced management, long track record of operations and its moderate financial risk profile. The outlook may be revised to 'Positive' in case of more than expected improvement in its scale of operations while maintaining its profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile or any stretch in working capital cycle leading to adverse impact on liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	927.11	642.92
PAT	Rs. Cr.	48.88	22.92
PAT Margin	(%)	5.27	3.56
Total Debt/Tangible Net Worth	Times	1.63	1.68
PBDIT/Interest	Times	2.84	2.20

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

Brickwork ratings wide its press release dated May 19, 2022 has continued to report the rating under Issuer not co-operating category.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.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:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2 Assigned
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2 Assigned
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Assigned
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE BBB+ Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB+ Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE BBB+ Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE BBB+ Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE BBB+ Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB+ Stable Assigned

Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	8.44	ACUITE BBB+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	4.46	ACUITE BBB+ Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	60.00	ACUITE BBB+ Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	2.56	ACUITE BBB+ Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.76	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

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