



Press Release
GANGAMAI INDUSTRIES AND CONSTRUCTIONS LIMITED
December 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	435.22	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	75.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	510.22	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 435.22 Cr bank facilities and its short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 75.00 Cr. bank facilities of Gangamai Industries and Constructions Limited (GICL). The outlook is '**Stable**'.

Reason for reaffirmation

The rating considers the established track record of operations along with the diversified revenue streams of the company. The rating reaffirmation takes into account the improvement in the business risk profile of the company in FY23 albeit moderation expected in the business risk profile in FY24. The revenue of the company stood at Rs.1243.61 crore in FY23 compared against Rs.933.65 crore in FY22. The increase in the revenues is driven by the increase in the price realization for the products. For H1FY24 the company has booked a revenue of Rs.359 crore. The revenues are lower in H1FY24 due to the delay in the construction work due to rains along with supply constraints of sugarcane leading to lower production in the sugar segment. Acuite expects the company to generate revenue in the range of Rs.900-Rs.1200 crore for the period FY2024-FY2025. The ability of the company to improve its business risk profile in the medium term on the back of the capital expenditure done by the company and the increase in the sugar prices will be key monitorable in medium term.

The ratings take into account the moderate financial risk profile and the adequate liquidity position of the company. The ratings are however constrained by the working capital-intensive operations and the project execution risk in the construction segment of the company.

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 9000 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 36 mega-watts [MW] distillery capacity of 300 kilo litres per day [KLPD], Ethanol capacity of 500 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.

Unsupported Rating

Not Applicable

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

GICL is currently operating a 9000 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 300 KLPD distillery, a 500 KLPD Ethanol plant along with a 36MW 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 has also undertaken 2 Hybrid Annuity Model (HAM) based road construction projects valuing Rs.848 crore and Rs.990 crore in Maharashtra. The company has achieved a revenue of Rs.436.14 crore in FY23 from the Sugar segment, Rs.262.22 crore from the Ethanol segment, Rs.457.52 crore from the Construction segment, Rs.44.75 crore from the power segment, Rs.3.25 crore from the Windmill segment and the remaining from the sale of the byproducts.

Moderate financial risk profile

The company has a moderate financial risk profile marked by tangible net worth of Rs.302.79 crore as on 31 March 2023 as against Rs.246.33 crore as on 31 March 2022. The networth includes quasi equity of Rs.79.25 crore. The gearing level of the company stood at 1.61 times as on 31 March 2023 as against 1.68 times as on 31 March 2022. The total debt of the company stood at Rs.487.23 crore which consists of long-term debt of Rs.96.68 crore, unsecured loans of Rs.56.85 crore and short-term debt of Rs.300.54 crore as on 31 March 2023. The company had undertaken a capital expenditure in FY22 and FY23 of ~Rs.188 crore for enhancing the sugar capacity from 7500 TCD to 9000 TCD, Distillery capacity from 150 KLPD to 300 KLPD and Ethanol capacity from 250 KLPD to 500 KLPD and also for the construction segment. The capital expenditure is funded through term loans of Rs.85crore and the remaining through internal accruals. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 2.71 times for FY23 against 2.59 times for FY22. The Debt Service Coverage Ratio (DSCR) stood at 1.74 times for FY23 against 1.57 times for FY22. The DSCR is expected to be moderate in the medium term at a range of 1.50-1.70 times even after the addition of debt for the capex. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.59 times for FY23 as against 2.74 times in FY22. Acuité believes that the financial risk profile of the company is likely to remain moderate in medium

term.

Weaknesses

Project execution risk in construction segment

GICL has formed 2 SPVs i.e. Gangamai Kalyan ACR for constructing a four laning road at AUSA Chakur, Maharashtra and Agro Vadodara Expressway for constructing an eight lane expressway in Maharashtra awarded by NHAI under the Hybrid Annuity Model (HAM). The project under Gangamai Kalyan is currently ~90 percent completed and the project under Agro Vadodara is ~17-18% completed as on October 31, 2023. This exposes the company to project execution risk.

Working capital intensive operations

The company's operations are working capital intensive as evident from Gross Current Asset (GCA) of 178 days as on March 31, 2023, as against 210 days as on March 31, 2022. The inventory levels stood at 76 days for FY23 compared against 111 days for FY22. The inventory majorly consists of the sugar stocks since the season of crushing continues till April. The inventory also consists of molasses used for the production of ethanol. The average inventory holding period is around 70-80 days. The debtor days stood at 35 days for FY23 against 63 days for FY22. Majority debtors are related to the construction segment. The company gets advance payments from the customers of the sugar segment. The average credit period allowed to the customers is around 60 days. The creditor days of the company stood at 37 days for FY23 as against 76 days for FY22. The average credit period received to the customers is around 30 days. The average utilization of the bank limits of the company is utilized ~55 percent in last six months ended September'23. Acuite believes that the improvement in working capital cycle over the medium term would be a key monitorable.

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

Significant improvement in the business risk profile of the company.

Deterioration in the financial risk profile.

Any further investments in the SPV's leading to stretch in the liquidity position.

All Covenants

Not Applicable

Liquidity position: Adequate

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.93.22 crore in FY23 compared against maturing debt obligations of Rs.22.68 crore for the same period. The cash accruals of the company are estimated to remain in the range of Rs.80.99-104.10 crore during 2024-25 period against maturing debt obligations of Rs.35.07-38.00 crore during the same period. The company maintains unencumbered cash and bank balances of Rs.2.99 crore as on March 31, 2023. The current ratio stood healthy at 1.15 times as on March 31, 2023.

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

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1243.61	933.65
PAT	Rs. Cr.	56.67	31.53
PAT Margin	(%)	4.56	3.38
Total Debt/Tangible Net Worth	Times	1.61	1.68
PBDIT/Interest	Times	2.71	2.59

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
05 Sep 2022	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	45.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	2.56	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB+ Stable (Assigned)
	Covid emergency line	Long Term	8.44	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	60.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	37.00	ACUITE BBB+ Stable (Assigned)
	Covid emergency line	Long Term	4.46	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	110.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	22.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	35.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	45.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	4.76	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2 Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Reaffirmed
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2 Reaffirmed
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE BBB+ Stable Reaffirmed
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	82.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.62	ACUITE BBB+ Stable Reaffirmed

IDBI Bank Ltd.	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.60	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.23	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	26.07	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	47.37	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.12	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.21	ACUITE BBB+ Stable Reaffirmed

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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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