

Press Release

GANGAMAI INDUSTRIES AND CONSTRUCTIONS PRIVATE LIMITED (ERSTWHILE GANGAMAI INDUSTRIES AND CONSTRUCTIONS LIMITED)

February 28, 2025

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	71.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	410.22	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	100.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	581.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on Rs. 410.22 Cr. and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.100 Cr. bank facilities of Gangamai Industries and Constructions Private Limited (GICPL; Erstwhile Gangamai Industries and Constructions Limited). The outlook is '**Stable**'.

Further, Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.71 Cr. bank facilities of Gangamai Industries and Constructions Private Limited (GICPL; Erstwhile Gangamai Industries and Constructions Limited). The outlook is '**Stable**'.

Rationale for rating

The rating reaffirmation takes into consideration the established track record of operations of the company along with a diversified revenue portfolio of sugar, distillery, construction and windmill power business. The rating also factors in the increase in operating margins in FY24 despite lowering of revenue on account of headwinds faced in the sugar business. Further, the rating draws comfort from the moderate financial risk profile and expected recovery in the sugar business coupled with an order book of ~Rs.695 Cr. in the construction business providing a sound revenue visibility over medium term. The rating is however constrained from the substantial investments by the company in the road projects and ability of the company to execute the same in time, intensive working capital limits and inherent challenges of the sugar and road construction business.

About the Company

Gangamai Industries and Constructions Private Limited (GICPL; Erstwhile Gangamai Industries and Constructions Limited) is one of the companies of 'Padmakar Mulay Group of Industries', Aurangabad, Maharashtra. The company was initially a closely held public limited company, got converted into private limited w.e.f. 29th January, 2024. Established in 1999, the company was primarily engaged into the business of sugar production and currently holds 9,000 TCD cane crushing plant in Ahmednagar, Maharashtra along with 300 KLPD distillery, 500 KLPD Ethanol plant and 32MW Cogen power plant installed in its manufacturing unit. Later in 2006, the company expanded itself into undertaking irrigation projects under construction division. Further in 2010, the company also established windmill power generation plants with a capacity of 5.5 MW across Maharashtra & Rajasthan. Furthermore, in 2017, the company expanded its constructions operations by the way of engineering, procurement and construction (EPC) contracts and road projects under hybrid annuity model (HAM). The company is currently managed by Mr. Ranjeet Mulay.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuite has considered standalone approach while assessing the business and financial risk profile of GICPL.

Key Rating Drivers

Strengths

Experienced management with a long track record of operations

GICPL is a part of Padmakar Mulay Group of Companies of Aurangabad, incorporated in May 1999. The group has more than 40 years of track record in diversified business interests of Agriculture, Sugar, Construction and Education sector and holds an established market position in the industry. The group is led by Mr. Padmakar H Mulay an industrialist having more than 45 years of rich experience. The current managing director of GICPL, Mr. Ranjeet Padmakar Mulay holds an experience of more than 24 years in the sugar industry. Hence, longstanding experience in the industry has enabled the company to create strong relationships with its customers from both government and private players.

Diversified business portfolio

The company has a diversified business portfolio with revenues flowing in from sugar (48.85% of FY24 revenue), construction (50.92%) and windmill business (0.23%). On the sugar business, the company has sufficient arrangements and agreements made with the farmers for daily procurement of cane. Further on the distillery business, the company has tie ups with reputed oil marketing companies such as Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL). Furthermore, in the windmill business, the GICPL has signed power purchase agreement with the Rajasthan State Electricity Board and Maharashtra State Electricity Distribution Company Limited (MSEDCL) for 15 years. On the construction front, the company is majorly engaged into road EPC contracts with National Highway Authority of India (NHAI), Public Works Department (PWD) of Maharashtra and Maharashtra State Road Development Corporation (MSRDC) and holds an order book of Rs 695.68 Cr. as on December 31, 2024. Also, GICPL has undertaken two HAM projects under two separate SPVs namely, Gangamai Kalyan ACR Private Limited (Gangamai Kalyan), project cost of Rs.962.70 Cr. for which final COD has been achieved in May'2024 and second, Agroh Vadodara Mumbai Expressway Private Limited (Agroh Vadodara), project cost of Rs.1,002.86 Cr. for which expected COD is of May'2025 with 35% work pending till date. For all the HAM projects, GICPL is appointed as the EPC contractor for work execution.

The company is actively bidding on expanding its HAM project portfolio and has focus on growing its ethanol business over the medium term.

Sound revenue visibility and stable margins expected over the medium term

The overall revenue of the company declined to Rs.956.47 Cr. in FY24 against Rs.1243.61 Cr. in FY23. This was majorly because of the headwinds faced in the sugar and ethanol business wherein export ban and low allocation in the domestic quota in the former and restriction on ethanol production from sugar syrup in the latter hampered the revenue from Rs 770.03 Cr. in FY23 to Rs 463.09 Cr. in FY24. The income from construction business improved marginally with completion of the one of the HAM projects. The overall operating margin however improved to 15.59% in FY23 to 15.93% in FY24, mainly due to improved realisations in sugar business.

Going forward, with the lifting of export ban, improved domestic demand and removal of restrictions on ethanol production from sugar syrup the sugar business is expected to recover significantly in the medium term. The revenue growth shall also be supported by the timely execution of the current construction orderbook of Rs 695.68 Cr. completion of the existing HAM project and receipt of fresh contracts. Moreover, the operating margin of the business is anticipated to be stable ranging from 14-15%. This improvement in revenue with stable margins shall remain a key rating sensitivity.

Moderate financial risk profile

The company has a moderate financial risk profile marked by improving tangible net worth of Rs.357.76 Cr. as on 31st March 2024 as against Rs.302.79 Cr. as on 31st March 2023. The net worth includes unsecured loans from promoters of Rs.79.25 Cr. recognised as quasi equity, in line with sanction terms. While, the debt levels increased moderately in FY24 on account of term loans for construction equipment, restoration of ethanol business and increase in working capital borrowings, the gearing level however, stood at improved at 1.54 times as on 31 March 2024 as against 1.61 times as on 31 March 2023 due to improved net worth. Moreover, due to the increase in borrowings, the coverage ratios lowered but stood moderate with interest coverage ratio of 2.33 times in FY24 against 2.70 times in FY23 and debt service coverage ratio of 1.46 times for FY24 against 1.74 times for FY23.

Going forward, the financial risk profile is expected to improve on the back of steady cash accruals and absence of any significant debt funded capex, shall remain a key rating sensitivity.

Weaknesses

Substantial investment requirement in road projects

The company holds investments in HAM subsidiaries and other business of Rs 239.10 Cr. (66.83% of net worth) as on March 31, 2024 increased from Rs 164.10 Cr. (54.20% of networth) as on March 31, 2023. These investments majorly include equity, debentures and intercorporate deposits of which nearly Rs 188.4 Cr. is towards the HAM SPV - Gangamai Kalyan and Rs 32.31 Cr. towards the other HAM SPV- Agroh Vadodara. While the Gangamai Kalyan project is now completed, the Agroh Vadodara is still ongoing and shall require support from GICPL. Furthermore, the company has a continuous focus on expanding its HAM portfolio's for which

investments are expected to increase over the medium term. These investments are expected to be funded by internal accruals, infusion from promoters or refinancing of the completed HAM projects. Post refinancing in FY25, Gangamai Kalyan has repaid Rs.135 Cr. to GICPL.

Acuité believes that ability of the company to achieve financial closures and complete projects in a timely manner shall be a key rating sensitivity.

Working capital intensive operations

The company's operations are working capital intensive as evident from high gross current asset (GCA) of 300 days as on March 31, 2024 as against 178 days as on March 31, 2023. This is majorly due to the inventory levels which stood increased at 157 days for FY24 compared against 76 days for FY23 majorly consisting of the sugar stock which got piled up because of low sales. 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 43 days for FY24 as against 35 days for FY23 of which majority debtors are related to the construction segment. The company gets advance payments from the customers of the sugar segment. The creditor days of the company stood increased at 69 days for FY24 as against 37 days for FY23 majorly due to payments retained in the construction business. The average utilization of the bank limits of the company is utilized ~74 percent in last twelve months ended December 31, 2024.

Inherent challenges in sugar and road construction business

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. Further, GICPL does road construction work mainly for NHAI, PWD Maharashtra and MSRDC which indicates that the firm's revenues are highly dependent on number and value of tenders floated by such authorities. Moreover, any delays in the project execution along with the delayed receipt from authorities and site related issues are likely to result in higher working capital requirements.

ESG Factors Relevant for Rating

Issues such as water usage and efficiency along with waste disposal, releasing air impurities and energy intensive production process are some environmental issues relevant to Sugar Industry. On the Social front, safety and well-being of the employees and member farmers is the foremost material issue the companies in this industry. Strict adherence to government interventions and policy frameworks are key governance issues.

Further, for the construction industry; it is important to take environmental considerations like management of air quality during the processes, air pollutant emissions and GHG emissions. Also, the environmental management practices like water and energy efficiency are also important. On the social front, the safety of the employees is of paramount importance. Community support and development of safe practices are important to assess the impact on society. Lastly, upholding business ethics and fundamental values is a material issue in the construction industry.

Rating Sensitivities

- Growing scale of operations supported by increase in orderbook along with stable margins.
- Steady cash accruals and absence of any significant debt funded capex leading to improvement in financial risk profile.
- Ability of the company to achieve financial closures and complete projects in a timely manner without affecting the liquidity profile.
- Further elongation in the working capital requirements.
- Changes in government policies towards the sector.

Liquidity Position

Adequate

Liquidity position of the company is adequate as reflected from sufficient Net cash accruals (NCA) of Rs.78.29 Cr. during FY24 towards maturing debt obligations of Rs.33.16 Cr. Besides, the company also had unencumbered cash and bank balances of Rs.2.05 Cr. as on March 31, 2024, providing addition support to liquidity. Going forward, company is expected to generate cash accruals in the range of Rs.100-130 Cr. over the medium term, while repayment obligations are expected to be in the range of Rs.20-40 Cr. for the same period. Additionally, the company also has support from promoters for infusions in the form of equity or unsecured loans whenever needed.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	956.47	1243.61
PAT	Rs. Cr.	38.94	56.67
PAT Margin	(%)	4.07	4.56
Total Debt/Tangible Net Worth	Times	1.54	1.61
PBDIT/Interest	Times	2.33	2.70

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
01 Dec 2023	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Term Loan	Long Term	2.21	ACUITE BBB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.62	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	47.37	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	82.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.12	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE BBB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.60	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	110.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.23	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	26.07	ACUITE BBB+ Stable (Reaffirmed)
05 Sep 2022	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (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)
	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)
	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)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A2 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A2 Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2 Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	150.00	Simple	ACUITE BBB+ Stable Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB+ Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	29.00	Simple	ACUITE BBB+ Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	82.00	Simple	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BBB+ Stable Reaffirmed
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE BBB+ Stable Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	30 Jun 2021	Not avl. / Not appl.	30 Jun 2026	3.00	Simple	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Covid Emergency Line.	30 Jun 2021	Not avl. / Not appl.	30 Jun 2026	1.00	Simple	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Covid Emergency Line.	30 Sep 2022	Not avl. / Not appl.	31 Aug 2028	2.00	Simple	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.22	Simple	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.67	Simple	ACUITE BBB+ Stable Reaffirmed

Canara Bank	Not avl. / Not appl.	Term Loan	31 Aug 2019	Not avl. / Not appl.	31 Dec 2024	2.21	Simple	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	31 Aug 2019	Not avl. / Not appl.	31 Dec 2024	1.12	Simple	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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