

Press Release

Gandhar Coals And Mines Private Limited

December 14, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	155.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	165.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 165 Cr. bank loan facilities of Gandhar Coals and Mines Private Limited (GCMPL). The outlook is '**Stable**'.

Rationale for the rating assigned

The rating takes into account GCMPL's improved revenues during FY2022 and 9M FY2023. The revenues stood at Rs. 531 Cr in FY2022 against Rs. 252 Cr. in FY2021. Further, the 9MFY2023 revenues stood at around Rs. 842 Cr. The increase in the revenues during FY2022 is primarily driven by increase in the price as well as volumes. The rating also takes comfort from the extensive experience of its promoters and established track record of operations, its relationship with reputed clientele and comfortable financial risk profile. The rating is however constrained on account of susceptibility of company's profitability to volatility in coal prices along with competitive and stressed end user industry. Sustaining profitability over the medium term and timely realisation of the collections in order to avoid elongation in working capital cycle will remain key rating sensitivity factors.

About the Company

GCMPL was incorporated in August 2018 and based out of Mumbai. Earlier it was a partnership firm which was later converted into Private Limited Company. GCMPL imports non-coking coal from countries including Indonesia, Australia, Russia, South Africa etc. and receives bulk orders through ports across Maharashtra, Gujarat, Andhra Pradesh, West Bengal etc and distributes to its customers all over India. The current directors are Mr. Saurabh Ramesh Parekh and Mr. Kunal Kailash Parekh. The non-coking coal is mainly used in power generation companies. Apart from power generation, it is also used in cement, steel and metal, chemical and pharma, refineries, paper units, textile units, sugar industries etc. The company traded for around 8.63 lakh MT of non coking coal during FY2022 against 7.59 lakh MT in FY2021.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GCMPL while

arriving at the rating.

Key Rating Drivers

Strengths

Extensive experience of promoters in the industry, established relationships with reputed clientele and long operational track record

GCMPL is a part of Gandhar Group which began its operations in 1992 with the establishment of its flagship company Gandhar Oil Refinery India Limited (GORIL). GORIL is involved into manufacturing of white oils and lubricants. GORIL also had non-coking coal trading segment until 2021. A slump sale agreement was signed in FY2022 through which GORIL's coal trading business was entirely transferred to GCMPL. The current promoters of GCMPL are Mr. Saurabh Ramesh Parekh and Mr. Kunal Kailash Parekh. They have experience of over a decade in the industry. The long operational track record of the group and experience of the promoters has helped GCMPL achieve a relatively large scale of operations and establish relationships with reputed clients and suppliers. GCMPL imports non coking coal from countries like Indonesia, Australia, Russia, South Africa etc. Products traded by GCMPL have application in industries like electricity generation and transmission, pharmaceutical, steel, sugar, etc. Further the group caters to a reputed client base which includes names like Vedanta Limited, Grasim industries, Jubilant Ingrevia Limited etc. Besides, GCMPL has also received an order to supply 9 lakh MT of coal to MSEB genco for the FY2023.

Acuité believes that GCMPL will continue to benefit from its experienced management, established relations with clientele/ suppliers and long track record of operations.

Comfortable financial risk profile

GCMPL's financial risk profile has improved during FY2022 marked by tangible net worth of Rs. 60.20 crore as on 31 March 2022 against Rs. 8.77 crore as on 31 March 2021. The increase in the net worth is a result of accretions of profit. The total debt stood at Rs. 39.87 crore as on 31 March, 2022 against Rs. 27.09 crore as on March 31, 2021. This includes Rs. 4.13 crore working capital loans, and unsecured loans from related parties of 35.74 crore. Besides these, the company also has non fund-based facilities of Rs. 480 crore in the form LC. Additionally, the company has availed enhanced facilities to the tune of Rs. 695 crore only for the year FY2023 for its order from Maharashtra State Power Generation Company Limited (MSPGCL). The gearing stood at 0.66 times as on March 31, 2022 against 3.09 times as on March 31, 2021. Interest coverage ratio (ICR) stood comfortable at 10.74 times in FY2022 as against 1.66 times in FY2021. DSCR stood at 8.30 times against 1.52 times in FY2021. This is on account of increase in profitability. The coverage indicators are expected to remain in the range 2-2.50 times going forward. Going forward GCMPL's gearing is expected to remain stable in absence of any additional debt over the medium term.

Weaknesses

Susceptibility of company's profitability to volatility in coal prices

GCMPL's revenue has seen significant improvement in FY2022. The revenues stood at Rs. 531 Cr. against Rs. 252 Cr. in FY2021. The improvement is largely driven by increase in the average selling price along with moderate increase in its traded quantity. The quantity traded during FY2022 stood at around 8.63 MT against 7.59 MT in FY2021 and 4.92 MT in FY2020 while the average selling price for the three years stood at Rs. 6,162 per MT in FY2022 against Rs. 3,327 per MT in FY2021 and Rs. 4,583 in FY2020. The operating margins have improved significantly and stood at around 13.62 percent in FY2022 against 1.67 percent in FY2021 and 1.94 percent in FY2020. The significant improvement in the margins is because of the increased pricing benefit and better negotiations that the company was able to make on its buying rate. However, the significant improvement in the EBITDA margins is believed to remain a one-time scenario and correction in operating margins is expected by FY2023. Sustainability of the operating margins will remain a key rating sensitivity.

Competitive segment and stressed end user industry

Coal traded and transported by the company find their end use by companies involved in

power generation, manufacturing of cement, iron & steel. Increasing cost of supply as against environmentally friendly and economically attractive options of solar and wind power has led to some reduction in energy consumption from thermal power plants, putting these power plants under financial distress. Delay and non-receipt of power dues from MSPGCL and any policy changes affecting the highly regulated coal industry, or its end users will impact the financial and business risk profile of GCMPL.

Rating Sensitivities

- Sustenance of profitability margins while maintaining scale of operations
- Timely realisation of the collections in order to avoid elongation in working capital cycle
- Bunching of LCs'; any negative gap in the retirement of LC and outstanding value of fixed deposits

Material covenants

None

Liquidity Position Adequate

GCMPL has adequate liquidity marked by net cash accruals stood at Rs.51.97 Cr. for the period FY2022. The company does not have outside repayment obligations as there are no term loans. The company's operations are moderately working capital intensive marked by GCA of 70 days in FY2022. The company's dependency on bank borrowing to fund its working capital requirement is moderate. The average fund based and non-fund-based bank limit utilization for the six month period ended in September 2022 stood at 30 percent and 83 percent respectively. GCMPL's liquidity profile is expected to remain adequate over the medium term on account of relatively quicker realisation of its collections and lesser counterparty credit risk due to the reputed customer it caters to.

Outlook: Stable

Acuité believes that the company will maintain 'Stable' business risk profile in the medium term on the back of established operational track record, long standing experience of the promoters in the business and established relations with reputed customers and suppliers. The outlook may be revised to 'Positive' in case of improvement in the operating risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further decline in profitability or elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	531.56	252.71
PAT	Rs. Cr.	51.91	2.09
PAT Margin	(%)	9.77	0.83
Total Debt/Tangible Net Worth	Times	0.66	3.09
PBDIT/Interest	Times	10.74	1.66

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria->

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+ Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	145.00	ACUITE A3+ Assigned

Contacts

Analytical	Rating Desk
Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 jaitashree.hukerikar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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) for the latest information on any instrument rated by Acuité.