



Press Release
Gandhar Coals And Mines Private Limited
March 12, 2024

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	10.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	93.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	155.00	-	ACUITE A2+ Upgraded
Total Outstanding Quantum (Rs. Cr)	263.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**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**'.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 98 Cr. bank loan facilities of Gandhar Coals and Mines Private Limited (GCMPL). The outlook is '**Stable**'.

Rationale for upgrade

The rating takes into account GCMPL's improved revenues during FY2023. The turnover of the company grew and stood at Rs. 1954.39 Cr. in FY23 as against Rs. 531.56 Cr. in FY22. The profitability position of the company has improved as can be seen from the EBITDA and PAT margin of the company which stood at 14.59% and 10.12% respectively in FY23 (PY: 13.62% & 9.77%). The increase in the revenues during FY2023 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, build up of debtor in the current fiscal, high customer concentration risk 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

Unsupported Rating

Not Applicable

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.

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

Strong financial risk profile

The financial risk profile of the company is strong as reflected by strong net worth, strong leverage and coverage indicators. The net worth of the company improved and stood at Rs. 257.98 Cr. in FY23 vis-à-vis Rs. 60.20 Cr. in FY22. The growth in net worth is due to healthy accretion of profit to reserve. The company has minimal dependency on external funds as can be seen from debt equity ratio of 0.09 times in FY23 (PY: 0.66 times). The company has a total debt of Rs. 23.09 cr., which comprises of short term loans. The company has no term debt on its books.

The coverage indicators of the company remained strong as is apparent from ICR & DSCR of the company, which stood at 9.87 times and 7.64 times respectively, in FY23.

Efficiently managed working capital operation though moderating in the current fiscal

The working capital operations of the company has seen improvement in FY23 reflected by GCA days of 68 as compared to 70 in FY22 and 184 in FY21. The improvement in GCA days is attributable to improved inventory days, which stood at 4 days in FY23 as compared to 24 days in FY22. The improvement in inventory days is due to shortage of coal in the market coupled with change in business style of the company wherein the company was earlier stocking and selling the good however currently the company is doing tender based business wherein the company is procuring goods as per the supply schedule reducing the inventory holding period. The debtor days of the company saw a dip in FY23 and stood at 42 days vis-à-vis 30 days in FY22. Efficient working capital management is further reflected in company's fund based limit utilization, which stood at 0.03% and non-fund based limit utilization, which remained at 39% in FY23. The above strength is however underpinned by buildup of debtors and higher inventory days in 9MFY24 wherein the debtor holding period is at 116 days and the inventory holding period is up at 54 days the company's ability to efficiently manage the working capital cycle remains a key monitorable. Acuite believes that the working capital cycle will see some stretch in medium term.

Weaknesses

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.

Tender based nature of business

The firm deals with government organizations and quotes for the contracts on tender basis. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Going forward, the company's ability to successfully bid for greater number of large orders remains to be seen.

High customer concentration risk

The company currently has high customer concentration as one customer is contributing to 75.55% of the total revenue in FY23 and the same is continuing in 9MFY24 as well. The company though have orders from the same customer till FY25 any change in the customer's vendor selection might have severe impact on the turnover and operations of the company. The company's ability to get repeat order from existing customers and diversify the customer base remains a key monitorable.

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

Liquidity Position

Strong

The liquidity profile of the company improved and remained strong in FY23 as reflected by the cash accruals of the company, which stood at Rs. 197.88 Cr. against nil debt repayment. Further, the company is expected to generate cash accruals of Rs.130 Cr. to Rs. 150 Cr. in FY24 & FY25 against nil debt repayment. The current ratio of the company stood healthy at 2.05 times in FY2023. The Gross Current Asset (GCA) days of the company stood comfortable at 68 days in FY2023. The average fund based limit utilization remained at 0.03% and NFB bank limit utilization of the company was 39% during the last thirteen months ended December 2023 giving adequate legroom for growth capital in the form of unutilized bank limits. Company's debt equity position of 0.09 times in FY23 shows sufficient opportunity to manage funds for the capex (if any) without much compromising the comfortable capital structure of the company. The liquidity position of the company is further strengthened by the unencumbered cash and bank balance of the company which stood at Rs. 90.19 Cr. and fixed deposits of more than 12 months standing at Rs. 76.96 Cr. as on 31st December 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1954.39	531.56
PAT	Rs. Cr.	197.77	51.91
PAT Margin	(%)	10.12	9.77
Total Debt/Tangible Net Worth	Times	0.09	0.66
PBDIT/Interest	Times	9.87	10.74

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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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
14 Dec 2022	Letter of Credit	Short Term	145.00	ACUITE A3+ (Assigned)
	Bills Discounting	Short Term	10.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	10.00	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
HDFC Bank Ltd	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2+ Upgraded (from ACUITE A3+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB+ Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	145.00	ACUITE A2+ Upgraded (from ACUITE A3+)
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A2+ Assigned
IDFC First Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	48.00	ACUITE A2+ Assigned

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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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