

Gujarat Mineral Development Corporation Limited

August 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	3,995.00 (Enhanced from 3,993.00)	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	5.00 (Reduced from 7.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Gujarat Mineral Development Corporation Limited (GMDC) continue to derive strength from its long operational track record and dominant position in lignite mining in Gujarat, diversified clientele across industries, and favourable demand prospects, given India's energy dependency. CARE Ratings Limited (CareEdge Ratings) also factors in GMDC's large net worth base, healthy profitability, comfortable debt coverage indicators, and strong liquidity. Ratings further consider the majority ownership by the Government of Gujarat (GoG), which provides operational ease in mining activities.

However, ratings remain constrained due to regulatory risks associated with mining operations, competition from imported coal and delay in renovation or upgradation of thermal power plants resulting into continued subdued financial performance which also restricts the overall profitability. Ratings also factor in risks related to the planned large-size capital expenditure over the next five to six years for lignite, coal, and multi-metal mining operations, which may be partly financed through external borrowings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing its scale of operations led by higher sales volumes, and greater geographical and product diversification.

Negative factors

- Dilution in the equity stake of GoG to below 51%.
- Larger-than-envisaged debt-funded capex or acquisitions leading to net-debt to gross cash accrual (ND/GCA) ratio over 1.5x on a sustained basis.
- Decline in the lignite production volume below 7-million-ton per annum (MTPA) leading to lower-than-envisaged profitability and cash-accruals.
- Large-size capex plans intended for unrelated business.

Analytical approach: Consolidated

CareEdge Ratings adopted the 'Consolidated' analytical approach to arrive at GMDC's ratings, considering the business linkages and common management of GMDC with its subsidiaries/JVs/Associate entities. Details listed under **Annexure 6**.

Outlook: Stable

CareEdge Ratings believes that GMDC will continue to maintain its dominant market position in lignite mining in Gujarat with a healthy operating performance backed by sales volume growth.

Detailed description of key rating drivers:

Key strengths

Long track record of operations with dominant position in lignite mining

GMDC is a public sector enterprise of GoG and is primarily engaged in mining and marketing industrial minerals in Gujarat. It has over six decades' experience in mining and minerals sector. With over six decades' experience in mining and minerals sector, GMDC is India's largest merchant seller of lignite and the second-largest lignite-producing company. Lignite mining contributes ~85% to 90% of GMDC's total operating income (TOI). It caters to over 25% of Gujarat's total lignite demand.

As on March 31, 2025, GMDC operates four lignite mines with estimated reserves of ~79-80 million tonne (MT) and an average mine life of ~9 -10 years. The company has been allotted six new lignite blocks with combined reserves of ~360 MT and expects to commence commercial production from these mines in Q4FY26 or Q1FY27 (FY refers to April 01 to March 31). CareEdge Ratings expects GMDC to benefit from higher production and sales volumes, supported by steady demand from manufacturing industries in Gujarat.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

In June 2023, GoG appointed Hasmukh Adhia, Ex-Indian Administrative Service (IAS) officer of Gujarat cadre (1981 batch), as Chairman of GMDC's Board of Directors. He has served as Union Finance Secretary and Revenue Secretary in the Central Government and is currently Principal Advisor to the Honourable Chief Minister of Gujarat.

Diversified customer base across industries

GMDC has a diversified customer base comprising small and medium-sized companies across textiles, steel, cement, power generation and other sectors. It sells products either on advance payment or against letter of credit (LC), except for a few state utilities such as Gujarat State Electricity Corporation Limited and Gujarat Urja Vikas Nigam Limited. GMDC's top ten customers continue to contribute ~25% of net sales in FY25, indicating a stable and diversified customer base.

Continued healthy profitability

GMDC's profit before interest, lease rentals, depreciation, and taxation (PBILDT) remained at ~₹644 crore in FY25 (PY: ₹644 crore). PBILDT margin declined by ~340 basis points (bps) year-on-year (y-o-y) in FY25 to 22.55% (FY24: 25.97%) due to moderation in average sales realisation of lignite resulting from decline in imported steam coal prices. GMDC follows dynamic pricing, revising lignite prices every 15 days based on demand trends, steam coal prices and customer feedback.

Despite decline in average sales realization, profitability was supported by 25% increase in lignite sales volume (y-o-y) in FY25. In FY24, a landslide at GMDC's Tadkeshwar mine, which historically contributed ~10% to 15% production volumes, led to its temporary closure and a decline in production and sales volumes. Sales volumes returned to normal levels in FY25. GMDC is expanding its Bhavnagar mine to boost production, and its new lignite mines are expected to commence commercial production from Q4FY26 or Q1FY27.

Lignite sales volume declined by 14% y-o-y in Q1FY26 (Q1 refers to April 01 to June 30) to 1.98 MT due to early onset of monsoon. CareEdge Ratings expects GMDC to register lignite sales volume growth of 10% to 15% per annum in the near-to-medium-term. With higher sales volume and stable pricing, PBILDT margin is expected to remain healthy at ~20% to 23%.

Strong financial risk profile due to net debt-free company

GMDC's overall gearing ratio stood at 0.02x as on March 31, 2025, reflecting minimal reliance on external borrowings. The company is unlikely to avail major external borrowings for working capital. GMDC had unencumbered cash and liquid investments of over ₹2,150 crore as on March 31, 2025. It primarily utilises non-fund-based limits to extend bank guarantees (BG) to the Ministry of Coal for coal block allocations in Odisha.

GMDC plans large-scale capital expenditure (capex) over the next five to six years. Its available liquid surplus and cash accruals are adequate to meet capex requirements over the next one to two years. GMDC may avail long-term debt to part finance its large capex plans in the medium-to-long-term. Despite drawal of debt to fund its capex requirement, CareEdge Ratings expects GMDC's capital structure and debt coverage indicators to remain comfortable.

Allocation of six lignite and three coal blocks providing good revenue visibility

In the last 10 years, GMDC produced ~7-11 MT lignite annually. In FY25 and Q1FY26, it produced and sold ~8.02 MT and 1.98 MT lignite, respectively. Existing mines have reserves of ~79 to 80 MT as on March 31, 2025. The Rajpardi mine was closed in FY25 due to reserve exhaustion, and the 'Mata no Madh' mine is expected to be exhausted in the next three to four years. Development of new mines is essential.

GMDC plans to add six new lignite mines, increasing its total to nine mines over the next four to five years. These new mines have ~360 MT of lignite reserves. Development is underway in a phased manner to sustain production above 10 million tonne per annum (MTPA). The company received allocation of two coal blocks in March 2023 and another one in July 2024 in Odisha. Development of the Baitarni West mine has commenced, with commercial production expected from Q4FY26/FY27. Other coal mines will be developed in the next 4-5 years.

GMDC intends to continue participating in upcoming coal block auctions. It is required to submit bid bond guarantees during bidding and performance bank guarantees (BGs) on allocation. As on June 30, 2025, GMDC had sanctioned non-fund-based working capital limits of ~₹2,020 crore, of which ~₹1,746 crore was utilised.

Plans to increase share of non-lignite minerals in its product portfolio

GMDC aims to expand its capabilities in other minerals and metals, including rare earth minerals (REMs), which are used in manufacturing permanent magnets for high-tech consumer products, energy and green technology, defence and aerospace, and other industrial applications. GMDC has REMs in Chhota Udepur, Gujarat, and is developing these assets for mining, processing and marketing. GMDC also has resources of bauxite, silica sand, fluorspar and limestone, which are used in cement, agriculture,

high-performance plastics and glassmaking. Bauxite mines are in Kutch and Devbhumi Dwarka, Gujarat. GMDC is exploring manganese in Panchmahal and planning underground copper mines near Ambaji, Gujarat, over the next four to five years. To expand its product portfolio, GMDC is developing capabilities for minerals such as bauxite, silica and limestone, and downstream integration in cement manufacturing. The company aims to increase revenue share from non-lignite minerals to ~50% in the medium term, compared to less than 15% currently.

Stable demand for lignite and coal for fuel

Demand for lignite and coal is expected to remain stable in the medium term, driven by demand from thermal power, textile, steel, cement, and other industries. India heavily depends on imported coal, which is a substitute for lignite. To reduce dependency on import of coal, government is focusing on development of lignite and coal mines domestically. India is heavily importing steam coal, which can be replaced with domestic coal or lignite, providing GMDC an opportunity to grow.

Liquidity: Strong

GMDC has strong liquidity marked by its net-debt free status and unencumbered cash and liquid investments of over ₹2,150 crore as on March 31, 2025. Most GoG-promoted entities park their surplus liquidity with Gujarat State Financial Services Limited (GSFS). GSFS is a GoG undertaking and is registered with Reserve Bank of India (RBI) as a non-banking financial company (NBFC). GMDC has also parked its excess liquidity with GSFS and earns interest of ~7% per annum

The company's liquidity is also supported by steady cash accruals. The company had negative working capital cycle in FY25 and is likely to remain at this level only due to its tight credit policy. The company has availed term-debt for overhaul of its power-plant. Annual term-debt repayment is expected to remain ~₹25 crore per annum for FY26-FY27, against which the company is likely to generate annual GCA of ~₹700-800 crore per year in the near-to-medium term, providing significant cushion in debt servicing.

Key weaknesses

Exposure to socio-political and regulatory risks

GMDC is exposed to regulatory risks. Non-compliance with applicable guidelines and laws may impact its operations. Per Ministry of Coal, Government of India guidelines for mine closure plans, GMDC is required to recognise liability for mine closure charges for its operating lignite mines. The company estimates mine closure costs based on per hectare rates prescribed under mine closure guidelines and deposits the amount in an escrow account maintained with a scheduled bank in compliance with government norms. Changes in royalty and National Mineral Exploration Trust regulations may affect the cost competitiveness of lignite against other fuels.

Delay in turnaround of thermal power plants resulting into continued subdued financial performance of thermal power projects

GMDC operates a thermal power plant in Gujarat with an installed capacity of 250 megawatt (MW). The plant continues to incur losses due to low plant availability factor (PAF) of ~10% to 20%. Performance remains impacted by equipment defects in boilers and turbines. Despite availability of captive lignite, the plant incurs losses due to lower sales price of ₹2.4-₹3.5 per unit (as calculated by a formula approved by GoG) for power supplied to Gujarat Urja Vikas Nigam Limited (GUVNL) under the power purchase agreement (PPA). The PPA was revised to allow GMDC to charge cost plus 14% return on equity (ROE) for power sold to GUVNL. GMDC also received in-principle approval from GUVNL to incur capital expenditure (capex) of ~₹300 crore for upgradation and turnaround of the thermal power plant. The capex is being funded in a debt-to-equity ratio of 80:20. GUVNL has agreed to adjust procurement rate to compensate GMDC for interest cost and 14% ROE. Renovation was expected to be completed in FY25 but has been delayed due to late receipt of equipment and change in scope of work. Completion is now expected in FY26. Post completion, GMDC expects PAF to improve to over 77% from FY27 onwards.

The renewable energy segment comprising solar and wind projects continues to generate steady profits. GMDC's wind and solar power capacities stand at 200.5 MW and 5 MW, respectively. Cash flows from renewable energy operations partially offset losses from the thermal power segment.

Large-size investment plans and risk associated with delays in commercialisation of investment

GMDC has planned investments of ~₹12,000 crore to ₹13,000 crore over the next five to six years across multiple projects. Of this, ~₹5,000 crore is earmarked for development and expansion of lignite mines. Capex of ~₹4,000 crore is planned for coal projects in Odisha and ~₹4,000 crore for multi-metal mining projects including rare earth elements, copper concentration, limestone and bauxite.

Around 45% capex is allocated for land acquisition, ~15% for rehabilitation and resettlement, and the balance for plant and machinery. Capex will be funded through a mix of liquid surplus, internal accruals and term debt, and will be incurred in a phased manner. Land acquisition is time-consuming, requires regulatory approvals and is prone to litigation. The investment plan is expected to restrict free cash flows in the medium term. A significant portion of the capex will be incurred in Odisha, where GMDC is a new entrant. Timely and efficient execution of the capex plan and commencement of commercial production from new projects will remain key rating monitorable.

Environment, social, and governance (ESG) risks

Factors	Compliance and action adopted by company
Environmental	Metal and mining sector has a significant impact on environment owing to high greenhouse gas (GHG) emissions, waste generation and water consumption. This is because of its high dependence on natural resources such as lignite. However, presence of GMDC's large renewable power capacity off-sets greenhouse emission to an extent. GMDC has implemented an effective Environment Management System with risk evaluation, monitoring and control mechanism and has been certified under ISO 14001. The company conducts several tasks for controlling pollution and protecting environment. It carries out regular water sprinkling for dust suppression, installed, and operating electrostatic precipitators for stack emission control, sewage, and effluent treatment plants for the control of water pollution and regular noise / vibration measurement for controlling noise pollution from its machines. Under the statutory compliance, GMDC carries monthly environmental monitoring for air, water, and noise pollution.
Social	The sector has a significant social impact because of its large workforce across its operations and value chain partners, and its operations affect the local community and involve health hazards. The company has set-up dispensaries with qualified doctors and para-medical staff at Panandhro, Akrimota thermal power plant, Rajpardi and Kadipani projects. Mobile medical vans and healthcare facilities are also operational at some projects. GMDC provides safety shoes and other safety devices and adopts best safety practices at every project site.
Governance	The governance structure is characterised by board comprising independent directors, split in chairman and MD positions, dedicated investor grievance redressal mechanism and healthy disclosures.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals and mining	Minerals and mining	Industrial minerals

GMDC is promoted by GoG with 74% shareholding as on June 30, 2025. GMDC is primarily engaged in mining and power generation. GMDC is involved in exploration of opencast lignite, bauxite, fluorspar, manganese, silica sand, limestone, and bentonite mines. The company operates lignite mines in Gujarat, including Mata-No-Madh, Tadkeshwar, Bhavnagar and Umarsar. Other than lignite, GMDC also operates bauxite mines in Gujarat. Bauxite mines are in Kutch (10 mines) and Devbhumi Dwarka (one mine). GMDC's power generation division consists of lignite-based thermal power plant (250 MW), wind power plant (200.9 MW) and ground mounted solar power plant (5 MW).

Brief Financials (₹ crore) – Consolidated	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total operating income	2,481	2,856	733
PBILDT	644	644	169
PAT	617	686	164
Overall gearing (times)	0.00	0.02	NA
Interest coverage (times)	Very High	Very High	Very High

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Bank Overdraft	-	-	-	-	5.00	CARE A1+
LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	3,995.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	3,995.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (22-Aug-24)	1)CARE AA+; Stable / CARE A1+ (05-Sep-23) 2)CARE AA+; Stable / CARE A1+ (18-May-23)	-
2	Fund-based - ST-Bank Overdraft	ST	5.00	CARE A1+	-	1)CARE A1+ (22-Aug-24)	1)CARE A1+ (05-Sep-23) 2)CARE A1+ (18-May-23)	-

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank Overdraft	Simple
2	LT/ST Fund-based/non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated as on March 31, 2025

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	GMDC Science and Research Centre	Full	Subsidiary
2	Gujarat Mineral Research and Industrial Consultancy Society		
3	Naini Coal Co Ltd		
4	Swarnim Gujarat Flourspar Private Limited	Moderate	Joint Venture
5	Gujarat Foundation for Entrepreneurial excellence		
6	Gujarat Jaypee Cement and Infrastructure Limited		Associate
7	Gujarat Credo Mineral Industries Limited		
8	Aikya Chemicals Private Limited		

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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