

Press Release

Galaxy Mining And Royalties

June 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 27.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 27.50 crore bank facilities of Galaxy Mining And Royalties. The outlook is '**Stable**'.

Galaxy Mining and Royalties, partnership firm based in Jaipur was established in 2016 for undertaking government contract for collection of royalty at the stones and Gypsum mining sites. The firm is managed by Mr. Deependra Singh Rathore and Mrs. Sashi Singh Rathore. At present firm have presence over 8 sites in Rajasthan. The firm is class ?AA? contractor registered with Mining and Geology department, Government of India.

Key Rating Drivers

Strengths

- **Healthy Order Book**

The firm has healthy order book position of Rs. 108.90 crore as on May 2018 which is expected to be executed in FY18-19. Further, out of the total contracts, the contractors worth Rs.35.60 are roll over contracts which are to be executed in FY19-20 as well. presently the firm has 8 sites spread across Rajasthan.

- **Comfortable profitability margins**

Considering the first year of operation, the firm has generated comfortable profitability margins with operating margin of 10.27 per cent and PAT margin of 8.23 per cent for FY 17-18 (prov).

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of GMR is moderate marked by networth of Rs. 7.92 crore as on March 31, 2018 (Prov). The debt to equity stood at 3.47 times for FY 17-18(prov). The entire debt consists of working capital facility. ICR stood at 3.30 times for FY 17-18 (prov).

- **Nascent stage of operation and tender based nature of business**

The firm received its first contract in March 2017. Acuité believes that the firm's ability to scale up operations by securing more orders and maintaining profitability will be crucial to maintain a stable credit risk profile. The working of the firm is dependent of the government polices and number of successful bids placed by the firm. Further firm operates in highly competitive and fragmented industry.

- **Fixed payment obligation**

The firm has fixed monthly obligation towards government irrespective of volume of mining. Further significant buildup in the receivable could lead to increased burden towards payment obligation.

Analytical Approach

Acuité has considered standalone financial and business risk profile of the firm to arrive at the rating.

Outlook: Stable

Acuité believes that the firm will maintain a stable risk profile over the medium term on account of its management capabilities and healthy order book position. The outlook may be revised to positive in case of sustained and significant growth in order book while improving its profitability margins. The outlook may be revised to negative in case of significant buildup in receivable or decline in profitability metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.12	0.00	0.00
EBITDA	Rs. Cr.	4.33	-0.07	0.00
PAT	Rs. Cr.	3.47	-0.27	0.00
EBITDA Margin	(%)	10.27	0.00	0.00
PAT Margin	(%)	8.23	0.00	0.00
ROCE	(%)	23.73	-1.98	0.00
Total Debt/Tangible Net Worth	Times	3.47	2.16	0.00
PBDIT/Interest	Times	3.30	-0.32	0.00
Total Debt/PBDIT	Times	5.53	-68.98	0.00
Gross Current Assets (Days)	Days	169	0	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107	Varsha Bist Manager - Rating Desk Tel: 022-67141160
suman.chowdhury@acuite.in Bhanupriya Khandelwal Analyst - Rating Operations Tel: 022-67141131 bhanupriya.khandelwal@acuiterratings.in	rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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