

Press Release

Galaxy Mining and Royalties

April 02, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.52.40 Cr. (Enhanced from 27.50 Cr.)
Long Term Rating	ACUITE BB-/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.27.50 crore bank facilities and assigned the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.24.90 crore bank facilities of GALAXY MINING AND ROYALTIES (GMR). The outlook is '**Stable**'.

Jaipur base, GMR was established in 2016 as a partnership firm for undertaking of contracts for royalty collection at the stones and Gypsum mining sites on behalf of government. The firm is managed by Mr. Deependra Singh Rathore and Mrs. Shahsi Singh Rathore. The firm is class 'AA' contractor registered with Mining and Geology department, Government of India

Analytical Approach

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

Key Rating Drivers

Strengths

- **Revenue visibility over the medium term**

The firm has total tenders worth Rs.103.13 crore as on March 31, 2019. Out of these tenders, Rs.25.56 crore contracts are for a tenure of one year whereas, contracts worth Rs.77.57 crore are for two year tenure. These contracts provide adequate revenue visibility of the firm over the medium term.

Weaknesses

- **Average financial risk profile**

The financial risk profile of GMR is average marked by net worth of Rs.6.90 crore as on March 31, 2018 as compared to Rs.2.06 crore as on March 31, 2017. The debt to equity stood high at 4.28 times as on March 31, 2018. The total debt of Rs.29.52 crore as on March 31, 2018 consist of working capital loan of Rs.17.52 crore, unsecured loan of Rs.11.76 crore and long term loan of Rs.0.24 crore. Acuité believes the debt level of the firm to remain higher due to working capital requirement.

- **Susceptibility of revenues to volatility in extraction of mineral from mines**

The cash flow of the firm is entirely collection based, thus operations are susceptible to fluctuations in extraction of minerals from each mine. The firm has to pay fixed royalty to the government every month irrespective of the volume of mining.

Acuité believes the ability of the firm to sustain the revenue growth and maintain its profitability levels will be a key rating sensitivity.

Liquidity Position:

GMR has moderate liquidity marked by moderate net cash accruals as against its debt obligations. GMR generated cash accruals of Rs.3.77 crore during FY17-18, while its maturing debt obligations were in the range of Rs.0.24 crore over the same period. GMR operations are highly working capital intensive as marked by gross current asset (GCA) days of 241 in FY 2018, resulting in higher reliance on working capital borrowings.

The working capital limit of the firm remains 100 percent utilised during the last six months period ended February 2019. The firm maintained unencumbered cash and bank balances of Rs.0.36 crore as on March 31, 2018. The current ratio stood moderate at 1.84 times as on March 31, 2018. Acuite believes that the liquidity is likely to remain moderate over the medium term on account of moderate cash accrual vis-à-vis debt repayment obligations.

Outlook: Stable

Acuite believes that GMR will maintain a 'Stable' outlook over the medium term on account of its promoters' experience in the industry and comfortable order book position. The outlook may be revised to 'Positive' in case of significant growth in its scale of operations while improving its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.17	0.00	NA
EBITDA	Rs. Cr.	4.17	(0.07)	NA
PAT	Rs. Cr.	3.68	(0.27)	NA
EBITDA Margin	(%)	9.89	-	NA
PAT Margin	(%)	8.71	-	NA
ROCE	(%)	22.83	(1.98)	NA
Total Debt/Tangible Net Worth	Times	4.28	2.16	NA
PBDIT/Interest	Times	4.08	(0.32)	NA
Total Debt/PBDIT	Times	5.91	(68.98)	NA
Gross Current Assets (Days)	Days	241	-	NA

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-June-2018	Bank Guarantee	Short Term	15.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	12.50	ACUITE BB- (Assigned)

*Annexure – Details of instruments rated

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

Cash Credit-II	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE BB-/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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