

Press Release
Galaxy Mining and Royalties

September 23, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.53.90 Cr. (Enhanced from Rs.52.40 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* 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**) on the Rs.53.90 crore bank facilities of Galaxy Mining and Royalties (GMR). The outlook is '**Stable**'.

Rajasthan-based, GMR was established in 2016 as a partnership firm by Mr. Deependra Singh Rathore and Mrs. Sashi Singh Rathore. The firm is engaged in the collection of royalties at precious stones and Gypsum mining sites on behalf of the government. Further, GMR has recently entered into the business of toll collection. The firm is a class 'AA' contractor registered with mining and geology department of 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

• Steady growth in operating income and healthy order book position

GMR was established in FY2016 and began its operations in FY2017-18; since then, the operating income of the firm has witnessed a steady growth marked by the operating income of Rs. 42.12 crore in FY2018 as against Rs. 92.48 crore in FY2019 (Provisional) resulting in a growth of 119.52 per cent. The operating margin (EBITDA) stood at 8.60 per cent in FY2019 (Provisional) as against 10.27 per cent in FY2018 and profit margin (PAT) stood at 5.68 per cent in FY2019 (Provisional) as against 8.23 per cent in FY2018. Further, the firm has healthy order book position with current orders in hand of Rs. 138.71 crore as on September 2019.

• Average financial risk profile

GMR has average financial risk profile marked by average net worth, debt-to-equity ratio and debt-protection metrics. GMR's net worth stood at Rs. 21.31 crore as on 31 March, 2019 (Provisional) as against Rs.7.92 crore as on 31 March, 2018. The gearing improved to 1.30 times as on 31 March, 2019 (Provisional) as against 3.47 times in the previous year. The total debt of Rs.27.80 crore majorly includes working capital borrowings of Rs. 25.32 crore and long-term borrowings of Rs. 2.48 crore. Interest Coverage Ratio (ICR) stood at 2.42 times for FY2019 (Provisional) as against 3.30 times in the previous year. TOL/TNW stood at 1.32 times as on 31 March, 2019 (Provisional) as against 4.11 times as on 31 March, 2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.20 times in FY2019 (Provisional) and 0.13 times in FY2018. Acuité believes that the financial risk profile of the firm is likely to remain average over the medium term on account of average net worth and debt protection metrics and that the firm's ability to maintain healthy revenue growth in the medium term.

Weaknesses

- **Tender based nature of business**

GMR deals with government organizations and quotes for the contracts on tender basis. Going forward, the company's ability to successfully bid for more number of large orders remains to be visible. Further, GMR was established in 2016, due to which the track record of operations of the firm is limited.

- **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.

Liquidity Position

GMR has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 5.68 crore for FY2019 (Provisional) against debt obligations of Rs. 0.64 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 7.04 crore to Rs. 9.83 crore during 2020-22 against repayment obligations ranging from Rs. 0.52 crore to Rs. 0.50 crore. GMR's working capital operations are intensive marked by gross current asset (GCA) days of 95 days for FY2019 (Provisional). The firm maintains cash and bank balances of Rs. 2.87 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.72 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of GMR is likely to remain adequate over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that GMR will maintain a 'Stable' outlook over the medium term on the back of its healthy revenue growth. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	92.48	42.12	0.00
EBITDA	Rs. Cr.	7.95	4.33	(0.07)
PAT	Rs. Cr.	5.25	3.47	(0.27)
EBITDA Margin	(%)	8.60	10.27	-
PAT Margin	(%)	5.68	8.23	-
ROCE	(%)	21.88	23.73	(1.98)
Total Debt/Tangible Net Worth	Times	1.30	3.47	2.16
PBDIT/Interest	Times	2.42	3.30	(0.32)
Total Debt/PBDIT	Times	2.87	5.53	(68.98)
Gross Current Assets (Days)	Days	95	169	NA

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

Not Applicable

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>
- Entities In Service 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Apr-2019	Bank Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Cash Credit-I	Long Term	12.50	ACUITE BB- / Stable (Reaffirmed)
	Cash Credit-II	Long Term	4.90	ACUITE BB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE BB- / Stable (Assigned)
	Proposed Bank Facility	Short Term	10.00	ACUITE A4 (Assigned)
07-June-2018	Cash Credit	Long Term	12.50	ACUITE BB- / Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4 (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
Cash Credit-1	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BB-/Stable (Reaffirmed)
Cash Credit-2	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE BB-/Stable (Reaffirmed)
Overdraft-1	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB-/Stable (Reaffirmed)
Overdraft-2	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee-1	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)
Bank Guarantee-2	Not Applicable	Not Applicable	Not Applicable	11.00 (Revised from Rs. 10.00 cr.)	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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