

Press Release

Galaxy Mining Private Limited

October 20, 2021



Rating Upgraded

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 72.50 Cr (Enhanced from Rs.28.50 Cr.) |
| Long Term Rating | ACUITE BBB-/Stable (Upgraded) |
| Short Term Rating | ACUITE A3 (Upgraded) |

* Refer Annexure for details

Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.72.50 Crore bank facilities of Galaxy Mining Private Limited (GMPL). The outlook is '**Stable**'.

Rationale for rating upgrade

The rating upgrade is on account of improvement in the overall business risk profile of the company marked by a substantial increase in the operating revenue and profitability, moderate financial risk profile with comfortable debt protection metrics and strong liquidity position marked by adequate cash accruals against moderate repayment obligations. The growth in revenue is expected to be sustained in medium term backed by healthy order book size of Rs.550 crore which is approximately more than 2 times of its revenue in FY2021. Moreover, the company has witnessed a sharp improvement in its debt protection ratios due to sustenance of healthy profitability margin.

About the Company

Rajasthan-based, Galaxy Mining Private Limited (GMPL) was incorporated by Mr. Deependra Singh Rathore in May-2019 as a private limited company which is engaged in the business of collection of royalty from mining sites and toll collection business.

About the Group Company

Rajasthan-based, Galaxy Mining & Royalties Private Limited (GMRPL) was established in 2016 as a partnership firm by Mr. Deependra Singh Rathore and Mrs. Sashi Singh Rathore. Later in 2019, the firm changes its constituency from a partnership firm to a private limited company. The company is engaged in the collection of royalties at precious stones and gypsum mining sites on behalf of the government. The company is a class 'AA' contractor registered with the mining and geology department of the government of India.

Rajasthan-based, Goldcorp Global Mining Private Limited (GGMPL) was incorporated by Mr. Deependra Singh Rathore in January 2019 as private limited company which is engaged in the business of mining and stone crushing. The company is also engaged into trading of different construction material. The company also provide transportation services for the same product. Company is supplying different type of stone and minerals to L&T and Tata Projects Limited. The project is value to be around Rs.250.00 and Rs.300.00 Crore respectively.

About the Group

Galaxy mining group was established in 2016 by Mr. Deependra Singh Rathore and Mrs. Sashi Singh Rathore. The group currently consist of 3 companies, namely Galaxy Mining & Royalties Private Limited (GMRPL), Galaxy Mining Private Limited (GMPL) and Goldcorp Global Mining Private Limited (GGMPL). The group is mainly engaged in the business of stone mining, trading and supplying of construction materials, toll collection and collection of royalties at precious stones and gypsum mining sites on behalf of the government.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Galaxy Mining & Royalties Private Limited (GMRPL), Galaxy Mining Private Limited (GMPL) and Goldcorp Global Mining Private Limited (GGMPL) together known as Galaxy Mining Group, to arrive at this rating. The consolidation is on account of common management, similar line of business, and operational linkages. Extent of consolidation: Full

Key Rating Drivers

Strengths

- Substantial growth in overall operating income and profitability**

The operating revenue of the company has grown to Rs.243.55 crores in FY2021 (Provisional) as against Rs.147.06 Crore in FY2020. The growth in revenues was mainly driven by increase in orders. Due to increase in operating income the profitability of the group have increase substantially. The EBITDA Margins improved to 11.91 percent for FY2021 (Provisional) as against 8.20 percent in FY2020. This was mainly due to timely execution of the work orders and addition of new orders during the assessment period. Also GMPL and GGMPL were in the initial phase of the business during the last review of the rating. In FY2021 (Provisional), both the companies have generated substantial amount of revenue and profits during the year.

The PAT margin increased to 5.63 percent in FY2021 (Provisional) from 4.65 percent in FY2020. The group's NCA stood at Rs.16.67 Crore as against Rs.7.61 Crore in FY2020. The company have healthy order book position of Rs.550.00 Crore which provides revenue visibility over near to medium term.

- Moderate financial risk profile with comfortable coverage indicators**

Galaxy Group has above average financial risk profile marked by above average net worth, moderate gearing and strong coverage indicators. The tangible net worth stood at Rs. 49.66 crore as on 31 March, 2021 (Provisional) as against Rs. 36.07 crore as on 31 March, 2020. The net worth as on March 31, 2021 (Provisional) includes unsecured loan of Rs. 20.93 crore as on 31 March, 2021 (Provisional), which is considered as quasi equity. The debt to equity ratio stood at 1.23 times as on 31 March, 2021 (provisional) as against 1.18 times as on 31 March, 2020. This is mainly due to high amount of working capital borrowing outstanding as on 31st March, 2021. The debt of Rs. 61.02 crore consists of term loan of Rs.14.83 Crore, unsecured loan of Rs.11.49 Crore and rest of the amount i.e. Rs.34.70 Crore as working capital borrowing. The Interest Coverage Ratio (ICR) improved to 2.72 times for FY 2021 (provisional) as against 2.24 times in FY2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) increased to 2.00 times as on March 31, 2021 (provisional) as against 1.38 times as on 31 March, 2020 mainly on account of high short term borrowings. Further, the group has net cash accruals of Rs. 16.27 crore in FY2021 (Provisional).

Weaknesses

- Moderately intensive working capital management**

The working capital management of the company is moderately intensive in FY2021 (Provisional) marked by Gross Current Assets (GCA) of 151 days in FY2021 (Provisional) as against 96 days in FY2020. The inventory and debtor levels stood at 15 days and 35 days in FY2021 (Provisional) as against 1 and 26 days in FY2020, respectively. High GCA days is mainly due to high amount of other current assets at the end of the year which mainly consist of deposits, advance to suppliers and tax recoverable. The creditor days stood at 46 days in FY2021 (Provisional) as against 14 days in FY2019. The average utilization of bank limits stood at ~78 per cent in the last six months ending June 2021. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of high other current assets.

- Tender based nature of business**

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

Rating sensitivity

- Timely execution of all the orders in the near to medium term will be a key rating sensitive factor.
- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.

Material Covenant

None

Liquidity position: Strong

The group has strong liquidity marked by sufficient net cash accruals to its maturing debt obligations. In FY2021 (Provisional), the group have generated a net cash accruals of Rs.16.67 against the maturity debt obligation of Rs.1.65 Crore. The cash accruals of the group are estimated to remain in the range of around Rs.20.00 Crore to Rs.25.00 Crore during FY2022-24 against CPLTD would not be more than Rs.4.00 Crore each year. Group's working capital operations are moderate marked by gross current asset (GCA) days of 151 days in FY2021 (Provisional). As a result the average utilization of bank limits stood moderate at ~78 per cent in the last six months ending June, 2021. Company maintains unencumbered cash and bank balances of Rs.6.30 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.40 times as on 31 March 2021 (Provisional).

Outlook: Stable

Acuité believes that Group will maintain a 'Stable' outlook over the medium term on the back of its continuous increase in revenue and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group 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 group registers lower than expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY21 (Provisional) | FY20 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 243.55 | 147.06 |
| PAT | Rs. Cr. | 13.72 | 6.84 |
| PAT Margin | (%) | 5.63 | 4.65 |
| Total Debt/Tangible Net Worth | Times | 1.23 | 1.18 |
| PBDIT/Interest | Times | 2.76 | 2.24 |

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-52.htm>
- Entities in service sector-<https://www.acuite.in/view-rating-criteria-50.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies-<https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-------------------|---------------------------------|------------|-----------------|-------------------------------|
| 06 November, 2020 | Cash Credit | Long Term | 13.50 | ACUITE BB/Stable (Reaffirmed) |
| | Bank guarantee | Short Term | 15.00 | ACUITE A4+ (Reaffirmed) |
| 03 July, 2020 | Cash Credit | Long Term | 13.50 | ACUITE BB/Stable (Assigned) |

| | | | | |
|--|----------------|------------|-------|--------------------------|
| | Bank guarantee | Short Term | 15.00 | ACUITE A4+ (Assigned) |
|--|----------------|------------|-------|--------------------------|

***Annexure – Details of instruments rated**

| Lender's Name | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|-------------------------------|------------------------|------------------|----------------|----------------|-----------------------------|-------------------------------|
| Kotak Mahindra Bank | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 13.50 | ACUITE BBB-/Stable (Upgraded) |
| AU Small Finance Bank | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE BBB-/Stable (Upgraded) |
| Yes Bank | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE BBB-/Stable (Upgraded) |
| Punjab and Sind Bank | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 0.27 | ACUITE BBB-/Stable (Upgraded) |
| Kotak Mahindra Bank | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A3 (Upgraded) |
| Yes Bank | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A3 (Upgraded) |
| Punjab and Sind Bank | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 10.73 | ACUITE A3 (Upgraded) |
| AU Small Finance Bank Limited | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE A3 (Upgraded) |

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About Acuité Ratings & Research:

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