

Press Release

Galaxy Mining & Royalties Private Limited

July 03, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs. 53.90 Cr.
Long Term Rating	ACUITE BB /Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has Upgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 53.90 Crore bank facilities of Galaxy Mining and Royalties Private Limited (GMRPL). The outlook is '**Stable**'.

The upgrade is on account of continuous increase in operating income, improvement in financial risk profile and low gearing. The operating income of the group saw an increment of ~51 percent in FY2020 (Provisional) to Rs.140.03 crore from Rs.92.49 crore in FY2018. Group's overall financial risk profile is moderate with a net worth of Rs. 35.00 crore as on March 2020 (Provisional) as against Rs. 19.76 crore as on March 2019. The net worth increment was on account of healthy accretion to reserve during the year and infusion of unsecured loans by the promoters in business with a total of Rs. 16.01. Cr. Also resulting in the improvement of gearing level to 0.94 times as on March 2020 (Provisional) as against 1.41 times as on March 2019. The operating margin of the company have also improved significantly as the PAT margin increased to 5.10 percent in FY2020 (Provisional) as against 3.49 percent in FY2019.

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 mining and geology department of government of India.

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

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Galaxy Mining & Royalties Private Limited (GMRPL) and Galaxy Mining Private Limited (GMPL), 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

- **Healthy financial risk profile**

The company's financial risk profile have remained healthy marked by moderate net worth, low gearing and strong debt protection metrics. The tangible net worth of the company is moderate and stood at Rs.35.00 Crore as on 31 March 2020 (Provisional) as against Rs.19.76 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy accretion to reserves during the same period and infusion of unsecured loans by the

promoters in business with a total of Rs. 16.01. Cr. resulting in the improvement of gearing level to 0.94 times as on March 2020 (Provisional) as against 1.41 times as on March 2019. The total debt outstanding of Rs.32.96 Crore as on 31 March 2020 (Provisional) consists of long term debt of Rs.8.00 Crore, unsecured loan of Rs.0.15 crore and working capital borrowings of Rs.24.81 Crore.

The cash accruals over the next three years through 2021 are estimated to remain in the range of Rs.5.91 to Rs.8.28 Crores against repayment obligations of Rs.1.60 Crore each year for the same period. As a result, the gearing is expected to remain comfortable in near term. The coverage indicators stood healthy marked by interest coverage ratio (ICR) of 2.69 times in FY2020 (Provisional) as against 2.46 times in FY2019. The increase in ICR is majorly on account of significant increase in EBITDA levels. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.24 times in FY2020 (Provisional) and 0.13 times in FY2019.

Acuité expects the financial risk profile of the company to remain healthy over the medium term on account of healthy accretion to reserves and comfortable working capital cycle leading to lower reliance on external borrowings.

- **Steady growth in operating income and healthy order book position**

Group was established in FY2016 and began its operations in FY2017-18 since then the operating income of the group has been growing steadily marked by the operating income of Rs. 42.12 crore in FY2018 as against Rs. 92.48 crore in FY2019 and Rs.140.03 crore in FY2020 (Provisional). The operating margin (EBITDA) stood at 7.78 per cent in FY2020 (Provisional) as against 8.02 per cent in FY2019 and profit margin (PAT) stood at 5.10 per cent in FY2020 (Provisional) as against 3.49 per cent in FY2019. Further the group has healthy order book position with current orders in hand of Rs. 169.13 crore as on May 2020.

Weaknesses

- **Tender based nature of business**

The group deals with government organizations and quotes for the contracts on 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.

- **Fixed payment obligation**

The group 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.

Rating sensitivity

- Significant improvement in revenues for the past 3 years.
- Continuous addition of new work orders.

Material Covenant

None

Liquidity position: Adequate

The group has adequate liquidity marked by high net cash accruals to negligible maturing debt obligations. The company generated cash accruals of Rs.7.99 Crore for FY2020 (Provisional) against no significant debt maturity obligation for the year. The cash accruals of the company are estimated to remain in the range of around Rs.5.91 Crore to Rs.8.28 Crore during FY2021-23 against repayment obligations of Rs.1.60 Crore each year for the same period. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 82 days in FY2020 (Provisional). Although the bank limit utilization stood high at ~93 percent for six months ending on May, 2020 due to the current situation of Covid-19 lockdown. The company maintained cash and bank balances of Rs.8.04 Crore as on 31 March, 2020 (Provisional). The current ratio stood healthy at 2.19 times as on 31 March 2020 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of high cash accruals against negligible maturity debt repayments over the medium term.

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 working capital cycle.

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 2 companies namely Galaxy Mining & Royalties Private Limited (GMRPL) and Galaxy Mining Private Limited (GMPL). The group is mainly engaged in the business of toll collection and collection of royalties at precious stones and gypsum mining sites on behalf of the government.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	140.03	92.49
PAT	Rs. Cr.	7.14	3.23
PAT Margin	(%)	5.10	3.49
Total Debt/Tangible Net Worth	Times	0.94	1.41
PBDIT/Interest	Times	2.69	2.46

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>
- 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/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
September 23, 2019	Cash Credit-I	Long Term	12.50	ACUITE BB-/Stable (Reaffirmed)
	Cash Credit-II	Long Term	4.90	ACUITE BB-/Stable (Reaffirmed)
	Overdraft-I	Long Term	8.00	ACUITE BB-/Stable (Reaffirmed)
	Overdraft-II	Long Term	2.50	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee-I	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee-II	Short Term	11.00	ACUITE A4 (Reaffirmed)
April 02, 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)
June 07, 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-I	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB/Stable (Upgraded)
Overdraft-I	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB/Stable (Upgraded)
Overdraft-II	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/Stable (Upgraded)
Bank Guarantee-I	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Upgraded)
Bank Guarantee-II	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4+ (Upgraded)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	1.90	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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