

Press Release

Hamsa Minerals & Exports (HME)

13 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.24.70 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.24.70 crore bank facilities of Hamsa Minerals & Exports (HME). The outlook is **'Stable'**.

Hamsa Minerals & Export (HME) was established in the year 2004 as a partnership concern. The firm is engaged in the quarrying and sawing of granite blocks and slabs with an installed capacity of 600 cubic metres per month. The firm has taken these quarries on lease from Government of Andhra Pradesh (GoAP). The firm extracts mass and depending upon the quality, the mass is cut into different blocks & slabs. The firm sells its product in the domestic market and also exports to countries like China, Australia, United States, to name a few.

List of key rating drivers and their detailed description:

Strengths:

Experienced management: HME, established in 2004, has a long track of 13 years in the stone industry. The partners Mr. V. Madhusudhana Reddy, Mr. V. Vikram Reddy, Mrs. T.N. Shobha Reddy and Mr. V. Surendranatha Reddy of the firm are highly experienced with over a decade of experience in the stone industry.

Moderate financial risk profile: The financial risk profile is moderate marked by adjusted gearing of 0.30 times as on March 31, 2016 as compared to 0.57 times in the previous year. Further, interest coverage ratio stood at 2.01 times for FY2015-16 as compared to 1.80 times in the previous year. For arriving at the adjusted gearing, interest-free unsecured loan of Rs.76.07 cr as on March 31, 2016 from promoters has been considered as quasi equity as this amount is subordinated to bank debt.

Weaknesses:

Working capital intense business resulting in stretched liquidity position: HME is engaged in the quarrying and sawing of granite blocks and slabs for various clients such as Anjalee Granites Private Limited, International Stones India Private Limited and several other well-established players. The firm has faced headwinds in its overall inventory levels on account of slowdown in offtake of products. HME reported inventory days of 841 days in FY2016 as against 675 days in FY2015 while the creditor days also remained high at 224 days in FY2016 (as compared to 207 days in FY2015). The GCA (Gross Cash Accruals) days of the firm stands stretched at 1998 days in FY2016 as compared to 2171 days in FY2015.

The high working capital intensive nature of the business has resulted in limited financial flexibility of the firm. The bank limits remained fully utilized from October, 2016 to March, 2017.

Modest scale of operation: The scale of operations is considered to be moderate with operating income of Rs.17.85 cr in FY2015-16 compared to Rs.19.86 cr in FY2014-15. The firm registered revenue of ~Rs.12.47 cr till March 31, 2017 (provisional).

Highly competitive and fragmented industry: The firm operates in a highly competitive and fragmented industry with low entry barriers which lowers the customer bargaining power.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the firm will maintain a Stable business risk profile on the back of the management's extensive experience and long track of operations. The outlook may be revised to 'Positive' in case of sustained increase in the operating income of the firm while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of continued challenges faced by the firm in increasing its operating income and/or further decline in debt protection metrics over the medium term.

About the Rated Entity – Key Financials

For FY2016, the firm reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.17.85 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.19.86 crore in FY2015. The net worth stood at Rs.79.88 crore as on March 31, 2016 as well as on March 31, 2015 respectively. The net worth of Rs.79.88 crore in FY2016 includes quasi-equity of 76.07 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.50	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan - I	LT	5.70	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan - II	LT	5.50	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Foreign Discounting Bill Purchase	ST	1.50	SMERA A4 (Assigned)	-	-	-	-	-	-
Packing Credit	ST	8.50	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.50	SMERA B/Stable (Assigned)
Term Loan - I	N.A	N.A	N.A	5.70	SMERA B/Stable (Assigned)
Term Loan - II	N.A	N.A	N.A	5.50	SMERA B/Stable (Assigned)
Foreign Discounting Bill Purchase	N.A	N.A	N.A	1.50	SMERA A4 (Assigned)
Packing Credit	N.A	N.A	N.A	8.50	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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