



## Press Release

### Hamsa Minerals And Exports

August 29, 2018

#### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 24.70 Cr.
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE B / Outlook: Stable)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A4)

\* Refer Annexure for details

#### Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B**' (**read as ACUITE B**) and short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.24.70 crore bank facilities of Hamsa Minerals & Exports (HME).

Hamsa Minerals and Export (HME) was established in 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.

The downgrade in HME's rating is due to delaying in servicing of debt obligations during the last three months.

#### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of Hamsa Minerals and Exports to arrive at the rating.

#### **Key Rating Drivers:**

##### **Strengths**

- Established track record of operations and 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 are highly experienced with over a decade of experience in the stone industry.

- Moderate financial risk profile**

HME has moderate financial risk profile marked by gearing of 0.30 times as on March 31, 2018 (Provisional) as compared to 0.28 times in the previous year. Further, interest coverage ratio stood at 1.49 times in FY2018 (Provisional) as compared to (0.01) times in the previous year. The Net worth stood at Rs.82.72 Crore in FY2018 (Provisional). For arriving at the net worth, unsecured loan of Rs.78.91 crore as on March 31, 2018 (Provisional) from promoters have been considered as a part of equity.

## Weaknesses

- **Delays in debt servicing**

There have been instances of delay in servicing of debt obligations during the last three months.

- **Working capital intensive operation 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. Further, the payables of the firm remained stressed and is expected to continue over the near to medium term. HME reported inventory days of 860 in FY2018 (Provisional) as against 948 days in FY2017, while the creditor days also remained high at 197 in FY2018 (Provisional) as compared to 187 days in FY2017. The GCA (Gross Current Asset) days of the firm stood stretched at 1905 days in FY2018 as compared to 3054 days in FY2017. The high working capital intensive nature of the business has resulted in limited financial flexibility of the firm. The bank limits remained fully utilised.

- **Small scale of operation**

The scale of operations is considered to be small with operating income of Rs.20.45 crore in FY2018 (Provisional) compared to Rs.12.69 crore in FY2017. The firm operates in a highly competitive and fragmented industry with low entry barriers which lowers the customer bargaining power.

## About the Rated Entity - Key Financials

	Unit	FY18(Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.45	12.69	17.85
EBITDA	Rs. Cr.	6.17	-0.27	6.02
PAT	Rs. Cr.	0.89	-6.00	0.08
EBITDA Margin	(%)	30.18	-2.14	33.71
PAT Margin	(%)	4.35	-47.26	0.46
ROCE	(%)	4.87	-1.68	3.02
Total Debt/Tangible Net Worth	Times	0.30	0.28	0.30
PBDIT/Interest	Times	1.49	-0.01	1.77
Total Debt/PBDIT	Times	3.79	-533.14	4.04
Gross Current Assets (Days)	Days	1905	3054	1998

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

ICRA, vide its press release dated November 22, 2017 had denoted the rating of Hamsa Minerals & Exports as 'ICRA B- and ICRA A4'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at ' ICRA B- and ICRA A4 ' vide its press release dated August 23, 2016.

## Any other information

ACUITE is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.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
13-May-2017	Cash Credit	Long Term	3.50	ACUITE B / Stable (Assigned)
	Term Loan - I	Long Term	5.70	ACUITE B / Stable (Assigned)
	Term Loan - II	Long Term	5.50	ACUITE B / Stable (Assigned)
	Foreign Discounting Bill Purchase-	Short Term	1.50	ACUITE A4 (Assigned)
	Packing Credit	Short Term	8.50	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	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE D (Downgraded)
Term loan – I	Not Applicable	Not Applicable	Not Applicable	5.70	ACUITE D (Downgraded)
Term loans - I	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE D (Downgraded)
Foreign Discounting Bill Purchase-	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE D (Downgraded)

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