

Press Release

Hamsa Minerals And Exports

August 27, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.24.70 Cr.
Long Term Rating	ACUITE D (Reaffirmed)
Short Term Rating	ACUITE D (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE D**' (**read as ACUITE D**) and the short-term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 24.70 crore bank facilities of Hamsa Minerals and Exports.

Hamsa Minerals & Exports (HME) was established in the year 2004 as a partnership concern in Bangalore. 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. The firm extracts mass from earth and depending upon the quality, the mass is cut into different blocks & slabs. The firm sells its product domestically and also exports it to countries such as China, Australia, and United States, to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track of operation**

HME, established in 2004, has a long track record of 19 years in the granite industry. The partners of the firm, 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 granite industry.

- **Moderate financial risk profile**

Hamsa Minerals and Exports has a moderate financial risk profile. The adjusted net worth of the firm stood at Rs. 32.32 crore as on 31 March, 2018, as against Rs. 30.86 crore in the previous year (team has adjusted the advances to the partners against capital balances). The gearing of the firm and the total outside liabilities to total net worth (TOL/TNW) of the firm stood at 0.76 times and 1.18 times as on 31 March, 2018, as against 0.75 times and 1.20 times in the previous year, respectively. The interest coverage ratio (ICR) of the firm stood at 1.37 times in FY18. The total debt of the firm consists of long-term debt to the tune of Rs. 7.82 crore and short-term debt to the tune of Rs. 15.54 crore.

Weaknesses

- **Delays in debt servicing**

There are instances of delays in servicing of interest and principal payment for more than ten days for the last six months through July 2019. The delays are owing to stretch in the liquidity caused by elongated working capital cycle and delays in realisation of its receivables.

- **Working capital intensive nature of operations**

Hamsa Minerals and Exports 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 a stretched working capital management, marked by high gross current asset (GCA) days of 1010 on 31 March, 2018, as against 1516 days in the previous year. The GCA

days consist of inventory days of 937 and debtor days of 40 on 31 March, 2018, as against 947 days and 40 days in the previous year, respectively. The high working capital intensive nature of the business has resulted in limited financial flexibility of the firm. The bank limits remained fully utilised.

• Modest Scale of Operations

The scale of operations is considered to be modest with an operating income of Rs. 20.45 crore in FY2018, as against 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.

Liquidity Position

The liquidity position of Hamsa Minerals and Exports is poor, marked by delays in servicing of its debt obligations, full utilisation of its working capital limits. The liquidity is also marked by elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.45	12.69	17.85
EBITDA	Rs. Cr.	5.66	(0.27)	6.02
PAT	Rs. Cr.	0.11	(6.00)	0.08
EBITDA Margin	(%)	27.68	(2.16)	33.71
PAT Margin	(%)	0.53	(47.28)	0.46
ROCE	(%)	8.08	(3.29)	12.89
Total Debt/Tangible Net Worth	Times	0.76	0.75	0.82
PBDIT/Interest	Times	1.37	(0.01)	1.77
Total Debt/PBDIT	Times	4.09	(493.17)	4.04
Gross Current Assets (Days)	Days	1010	1516	968

Status of non-cooperation with previous CRA

ICRA, vide its press release dated May 17, 2019, had denoted the rating of Hamsa Minerals & Exports as 'ICRA D and ICRA D'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
29-Aug-2018	Cash Credit	Long Term	3.5	ACUITE D (Downgraded)
	Term Loan- I	Long Term	5.7	ACUITE D (Downgraded)
	Term Loan- II	Long Term	5.5	ACUITE D (Downgraded)
	Foreign Discounting Bill Purchase	Short Term	1.5	ACUITE D (Downgraded)
	Packing Credit	Short Term	8.5	ACUITE D (Downgraded)
13-May-2017	Cash Credit	Long Term	3.5	ACUITE B / Stable (Assigned)
	Term Loan- I	Long Term	5.7	ACUITE B / Stable (Assigned)
	Term Loan- II	Long Term	5.5	ACUITE B / Stable (Assigned)
	Foreign Discounting Bill Purchase	Short Term	1.5	ACUITE A4 / Stable (Assigned)
	Packing Credit	Short Term	8.5	ACUITE A4 / Stable (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	3.5	ACUITE D (Reaffirmed)
Term Loan- I	Not Applicable	Not Applicable	Not Applicable	5.7	ACUITE D (Reaffirmed)
Term Loan- II	Not Applicable	Not Applicable	Not Applicable	5.5	ACUITE D (Reaffirmed)
Foreign Discounting Bill Purchase	Not Applicable	Not Applicable	Not Applicable	1.5	ACUITE D (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	8.5	ACUITE D (Reaffirmed)

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About Acuité Ratings & Research:

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