

Press Release

Tan Singh Chouhan

10 April, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 29.50 Cr. |
| Long Term Rating | SMERA BBB- / Outlook: Stable |
| Short Term Rating | SMERA A3 |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 29.50 crore bank facilities of Tan Singh Chouhan. The outlook is '**Stable**'.

Rajasthan based, M/s Tan Singh Chouhan, partnership firm established in 2003, is engaged in construction of roads, buildings, flyovers and other civil construction work for PWD (public work department), Rajasthan and private players on tender basis. It is AA class PWD contractor and 'S' class BRO (Border Roads Organisation) contractor. It is also engaged in manpower supply and vehicle rental activities. It is managed by Mr. Tan Singh Chouhan, Mr. Rajendra Singh Chouhan, Mr. Jogendra Singh Chouhan and Mrs. Kamala Devi Chouhan.

Key Rating Drivers

Strengths

- **Long track record of operations with experienced management**

Rajasthan Based, TSC was established in 2003 as partnership firm by Mr. Tan Singh Chouhan along with his family members. It was converted into proprietorship concern in FY 2006 and in FY2017 it was again reconstituted as partnership firm. Currently it is managed by Mr. Tan Singh Chouhan along with partners. Mr. Tan Singh Chouhan has for more than 15 years experience in the same line of business.

- **Established relations with reputed clients**

TSC undertakes construction contracts for reputed customers like PWD- Rajasthan, Cairn India Limited, Brunel India Private Limited, Rajasthan Sun Technique Private Limited (Reliance ADA), Schlumberger, Tata Projects Limited, etc. SMERA believes that the firm will benefit from its established relations with customers in the medium term.

- **Moderate financial risk profile**

The financial risk profile of TSC is moderate marked by networth of Rs. 25.34 crore as on 31 March, 2017 compared to Rs. 22.21 crore as on 31 March, 2016. The gearing increased to 1.41 on 31 March, 2017 from 1.14 times as on 31 March, 2016. The debt mainly consists of overdraft facilities and borrowings from partners/relatives. The EBITDA reduced to 9.83 per cent in FY 16-17 from 12.63 percent in the previous year. The DSCR (Debt Service Coverage Ratio) is standing at 2.11 times and Interest Coverage Ratio at 2.11 times as on 31 March, 2017.

- **Strong order book position**

The current orders in hand worth Rs. 94.32 crore out of which Rs. 19.50 crore has been completed till February 2018 and rest will be completed in next one to two years of time.

Weaknesses

- **Working capital intensive operations**

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TSC has working capital intensive operations marked by GCA (gross current assets) of 190 days in FY2016-17 which has come down from 259 days in FY15-16. This is on account of 29 days of inventory and 38 days of debtors outstanding as on March 31, 2017. Also the other current assets is standing at Rs.23.34 crore out of total current assets of Rs.38.75 crore as on March 31, 2017. However, the firm was able to manage WCC (working capital cycle) comfortably with WCC days of 8 in FY2017 due to extended credit terms from suppliers marked by creditors days of 60 for FY2017. The working capital borrowing remained fully utilised.

• Volatility in raw material prices

The operating margins were 9.83 percent in FY2017, 12.63 percent in FY2016 and 11.05 percent in FY2015 on account of fluctuations in raw material cost which constituted around 54.03 percent of total sales in FY2017 as against 42.20 percent in FY2016 and 47.22 percent in FY2015. Hence, any adverse movements in raw material prices can impact the profitability of the firm in the absences of escalation clause in contracts.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of TSC to arrive at the rating.

Outlook: Stable

SMERA believes that TSC will maintain a Stable outlook and benefit over the medium term from its long track record of operations, experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving expected revenues or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 74.34 | 47.91 | 53.45 |
| EBITDA | Rs. Cr. | 7.31 | 6.05 | 5.91 |
| PAT | Rs. Cr. | 3.32 | 2.86 | 2.61 |
| EBITDA Margin (%) | (%) | 9.83 | 12.63 | 11.05 |
| PAT Margin (%) | (%) | 4.47 | 5.98 | 4.88 |
| ROCE (%) | (%) | 15.05 | 12.87 | 25.65 |
| Total Debt/Tangible Net Worth | Times | 1.41 | 1.14 | 1.16 |
| PBDIT/Interest | Times | 2.11 | 2.38 | 2.26 |
| Total Debt/PBDIT | Times | 1.70 | 1.36 | 1.38 |
| Gross Current Assets (Days) | Days | 190 | 259 | 217 |

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

Crisil in its press release dated May 16, 2017 has moved the rating to 'Issuer not Co-Operating' category. The rating is now denoted as Crisil B (Stable)/ Crisil A4 (Issuer Not Cooperating; Rating Reaffirmed).

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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 | 12.00 | SMERA BBB- / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 17.50 | SMERA A3 |

Contacts

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ABOUT SMERA

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