

Press Release

Tan Singh Chouhan

D-U-N-S® Number: 65-072-0704



February 12, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.65.00 Cr. (Enhanced from Rs. 29.50 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the enhanced bank facilities of Rs.65.00 crore of Tan Singh Chouhan (TSC). The outlook is '**Stable**'.

Rajasthan based, TSC is a partnership firm established in 2003. The firm 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 managed by Mr. Tan Singh Chouhan, Mr. Rajendra Singh Chouhan, Mr. Jogendra Singh Chouhan and Mrs. Kamala Devi Chouhan.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The promoters have established presence of more than fifteen years in the aforementioned industry. The promoters are supported by second generation management. The firm has moderate order book position with an outstanding order book of Rs.78.88 crore as on October 31, 2018 which is executable over one to two years span.

- **Moderate financial risk profile**

TSC has comfortable financial risk profile marked by infusion of additional capital by partners in FY18. The net worth stood at Rs.40.40 crore as on 31 March, 2018 compared to Rs.25.34 crore as on 31 March, 2017. The gearing improved to 0.77 times as on March 31, 2018 from 1.41 times as on March 31, 2017. The total debt of Rs.31.21 crore as on March 31, 2018 consist of long term loan of Rs.6.02 crore, unsecured loan from related parties of Rs.9.39 crore and working capital term loan of Rs.15.79 crore. The interest coverage ratio stood comfortable at 2.34 times for FY18 as compared to 2.11 times for FY17. Further, the firm has comfortable total outstanding liabilities to total net worth (TOL/TNW) of 0.99 times as on March 31, 2018 as compared to 1.70 times as on March 31, 2017.

Going forward, Acuité expects the company to maintain its financial risk profile in the absence of debt funded capex and non-withdrawal of capital.

- **Established relationship with reputed customers**

TSC has established relationship with reputed clients for more than a decade. It caters to customers such as PETROFAC International LLP, Sterling and Wilson Private Limited, HPCL Rajasthan Refinery Private Limited, Vedanta Limited along with PWD, Rajasthan.

Weaknesses

• Elongated working capital cycle

TSC operations are working capital intensive in nature marked by GCA (gross current assets) of 270 days in FY18 as compared to 190 days in FY17. High GCA days emanates from inventory holding of 104 days in FY18 as compared to 29 days in FY17 and debtors of 52 days in FY18 as compared to 38 days in FY17. Further, the total inventory of Rs.16.94 crore as on March 31, 2018 consist of unbilled work of Rs.14.83 crore which was booked in April and May 2018. The total working capital cycle elongated to 74 days in FY18 from 8 days in FY17.

Acuité believes that efficient management of working capital cycle will be key rating factor.

• Tender based nature of operation

TSC is engaged in tender based civil construction work for PWD, Rajasthan along with other private parties. This industry is marked by presence of many small and large players leading to high competition level for the firm.

Liquidity position:

TCS has moderate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.4.44-6.14 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.39-2.78 crore over the same period. The firm's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 270 in FY 18. This has led to high reliance on working capital borrowings; the cash credit limit remains utilised at 80 percent during the last 6 months period ended December 2018. The firm maintains unencumbered cash and bank balances of Rs.2.28 crore as on March 31, 2018. The current ratio stood healthy at 2.00 times as on March 31, 2018. The firm is likely to incur capex of Rs.1.50 – 2.00 crore over the medium which is likely to be funded by net cash accruals and partners' capital.

Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that TSC will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy relationship with reputed customers. The outlook may be revised to 'Positive' in case the firm is able to register improvement in revenue growth along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm faces stretched working capital cycle or fall in revenue or deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.65	74.34	47.91
EBITDA	Rs. Cr.	7.98	7.31	6.05
PAT	Rs. Cr.	4.23	3.32	2.86
EBITDA Margin	(%)	11.80	9.83	12.63
PAT Margin	(%)	6.25	4.47	5.98
ROCE	(%)	13.30	15.05	12.87
Total Debt/Tangible Net Worth	Times	0.77	1.41	1.14
PBDIT/Interest	Times	2.34	2.11	2.38
Total Debt/PBDIT	Times	2.91	3.49	3.31
Gross Current Assets (Days)	Days	270	190	259

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

CRISIL, vide its press release dated August 07, 2018 had denoted the rating of Tan Singh Chouhan as 'CRISIL B/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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
10-Apr-2018	Cash Credit	Long Term	12.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	17.50	ACUITE A3 (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	15.00 (Enhanced from Rs.12.00 Cr)	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00 (Enhanced from Rs.17.50 Cr)	ACUITE A3 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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