

Press Release

Tan Singh Chouhan

July 03, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.65.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.65.00 crore bank facilities of TAN SINGH CHOUHAN. The outlook is '**Stable**'.

About the company

Rajasthan based, Tan Singh Chouhan (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. The firm is an AA class PWD contractor and 'S' class BRO (Border Roads Organization) contractor. It is managed by Mr. Rajendra Singh Chouhan, Mr. Jogendra Singh Chouhan and Mrs. Kamala Devi Chouhan.

Analytical Approach

Acuite has considered standalone business and financial risk profiles of Tan Singh Chouhan to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and established market position**

The promoter of the firm Mr. Rajendra Singh Chouhan, Mr. Jogendra Singh Chouhan and Mrs. Kamala Devi Chouhan have been associated with the firm for around a decade which gives them significant experience in the infrastructure industry. Firm has been in the aforementioned industry for 17 years which gives them an established track record of operations, this has helped them to maintain strong relations with its customers as well as with its suppliers.

Acuite believes that the firm will continue to derive benefit from its Promoters' experience and its market position.

- Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by healthy net worth, healthy coverage indicator and low leverage levels. The net worth of the firm stood at Rs.62.67 crore (Provisional) as on 31 March, 2020 as against Rs.58.97 crore as on 31 March, 2019. The improvement in the net worth is on the account of accretion to reserves.

The gearing level (debt-equity) stood at 0.28 times (Provisional) as on 31 March, 2020 as against 0.39 times as on 31 March 2019 and TOL/TNW (Total outside Liabilities- Total net worth) stood at 0.56 times (Provisional) as on 31 March 2020. The gearing of the firm is expected to remain low in the near future on account of the absence of debt funded Capex and modest working capital requirements which are likely to be funded from net cash accruals. The total debt of Rs.17.80 crore (Provisional) as on 31 March, 2020 consist of long term debt of Rs.0.36 crore (Provisional), unsecured loans of Rs.15.05 crore (Provisional) and working capital borrowings of Rs.2.39 crore (Provisional). The coverage indicator stands healthy marked by interest coverage ratio of 4.91 times (Provisional) in FY2020 as against 3.20 times in the previous year.

Acuite believes that financial risk profile of the firm is expected to remain moderate backed by moderate net cash accruals and no major debt funded capex in near to medium term.

Weaknesses

• Working capital intensive nature of operations

TSC operations are working capital intensive in nature marked by GCA (gross current assets) of 231 days (Provisional) in FY2020 as compared to 177 days in FY2019. High GCA days emanates from debtors' collection period of 122 days (Provisional) in FY2020 as compared to 83 days in FY2019 and high amount of loans and advances been extended to related parties. Further, firm enjoys credit period of around 70-80 days from its customers. Current ratio stands at stable 3.56 times (Provisional) as on 31 March, 2020.

• Reduced Operating Income

Operating income reduced to Rs.101.95 crore (Provisional) in FY2020 from Rs.140.21 crore in FY2019 and it stood at Rs.65.75 crore in FY2018. Profitability of the firm reduced slightly to 10.39 percent (Provisional) in FY2020 from 10.78 percent in FY2019. Further, TSC has a weak order book position with and unexecuted orders of Rs.40.11 crore which gives limited revenue visibility in the near future.

Rating Sensitivities

- Deterioration in the profitability of the firm.
- Deterioration in working capital cycle and liquidity profile of the firm.
- Addition of new orders in the order book position.

Material Covenants

None

Liquidity Position: Adequate

TSC has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.6.14-10.39 crore during the last three years through 2019-20, while its maturing debt obligations were in the range of Rs.1.00-3.00 crore over the same period. Net cash accruals are estimated to remain in the range of Rs.4.50 crore to Rs.6.20 crore for the period FY2021-23 with no debt obligations for the same period. The firm's operations are working capital intensive as marked by gross current asset (GCA) of 231 days (Provisional) in FY2020. Average cash credit limit utilization stood ~30 percent during the last 6 months period ended May 2020. The firm maintains unencumbered cash and bank balances of Rs.2.24 crore (Provisional) as on March 31, 2020. The current ratio stood healthy at 3.56 times (Provisional) as on March 31, 2020.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuite 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	101.95	140.21
PAT	Rs. Cr.	8.39	8.27
PAT Margin	(%)	8.23	5.90
Total Debt/Tangible Net Worth	Times	0.28	0.39
PBDIT/Interest	Times	4.91	3.20

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
20-Apr-2020	Cash Credit	Long Term	15.00	ACUITE BB+ (Downgraded from ACUITE BBB-) (Indicative)
	Bank Guarantee/ Letter of Guarantee	Short Term	50.00	ACUITE A4+ (Downgraded from ACUITE A3) (Indicative)
12-Feb-2019	Cash Credit	Long Term	15.00 (Enhanced from Rs.12.00 Cr.)	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee/ Letter of Guarantee	Short Term	50.00 (Enhanced from Rs.17.50 Cr.)	ACUITE A3 (Reaffirmed)
10-Apr-2018	Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee/ Letter of 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	ACUITE BB+/ Stable (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

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