

Press Release

Himmat Singh Antar Singh

August 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.74 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE BB**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 8.74 crore bank facilities of Himmat Singh Antar Singh. The outlook is '**Stable**'.

Established in 1982, Himmat Singh Antar Singh (HSAS) is a proprietorship firm engaged in civil construction of roads for government which contributed to around 95 per cent of total sales and the rest is from private entities. The firm is an A-grade contractor who undertakes contracts of government entities in and around Indore. The firm currently has an order book of Rs.51.68 crore which is expected to be executed by FY2020.

Key Rating Drivers

Strengths

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

Established in 1982, HSAS has a long track record of operations. It has benefited from experienced management. Mr. Himmat Singh, the proprietor has experience of more than three decades in executing infrastructural construction projects.

- **Moderate scale of revenues:**

The net worth of HSAS stood at Rs.8.23 crore as on 31 March, 2018 (Provisional) from Rs.7.33 crore as on 31 March, 2017. Gearing (debt to equity) stood at 0.60 times as on 31 March, 2018 (Provisional) as against 0.56 times as on 31 March, 2017. The total debt stood at Rs.4.92 crore which comprises of term loan of Rs.1.01 crore, unsecured loan from proprietor Rs.1.57 and working capital borrowing of Rs.2.33 crore. Interest Coverage Ratio (ICR) stood at 3.55 times in FY2018 (Provisional) as against 4.80 times in FY2017. Total Outside Liability/Total Net Worth (TOL/TNW) stood at 1.20 times in FY2018 (Provisional) as against 1.57 times in FY2017.

Weaknesses

- **High Creditor days**

As on 31 March 2018 (prov) the debtors outstanding are nil. The company efficiently manages the debtors days. Further, the company has been stretching the creditor days which stood at 190 for FY2018 (Prov.) as against 257 in the previous year. Further, the bank limit utilisation is fully utilised for past six months ending June 2018.

- **Modest scale of operations and order book position**

The firm had registered revenue of Rs.22.37 crore in FY2018 (Provisional) as against Rs.23.84 crore in FY2017. This is mainly because of the orders executed by the firm. The operating (EBITDA) margins stood at 11.14 percent in FY2018 (Provisional) as against 9.80 percent in FY2017. Acuité believes that going forward the revenues of the firm will improve at the back of order book of Rs.51.68 crore which is supposed to be executed by FY2019-20. HSAS have healthy order book position marked by current orders in hand of Rs.51.68 crore from MPRRDA PIU, Dewas and PWD Devas which is to be executed by the FY2019-20.

- **Competitive and fragmented industry**

The firm is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent as the management has been operating in this industry for last three decades.

• **Tender based business**

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Firm has to do tendering on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuation in operating profit margins.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on HSAS will remain 'Stable' over the medium term on account of its proprietor's experience in the infrastructure industry. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and working capital operations. Conversely, the outlook may be revised to 'Negative' in case of firm registers significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.37	23.84	18.74
EBITDA	Rs. Cr.	2.49	2.34	1.71
PAT	Rs. Cr.	1.40	1.47	1.13
EBITDA Margin	(%)	11.14	9.80	9.14
PAT Margin	(%)	6.27	6.17	6.01
ROCE	(%)	18.48	18.78	16.20
Total Debt/Tangible Net Worth	Times	0.60	0.56	0.68
PBDIT/Interest	Times	3.55	4.80	4.59
Total Debt/PBDIT	Times	1.59	1.42	1.86
Gross Current Assets (Days)	Days	122	107	106

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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)

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	2.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.74	ACUITE BB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in Saurabh Rane Analyst - Rating Operations Tel: 022-67141179 Saurabh.Rane@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.