Press Release

Highway Infrastructure Limited

March 11, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.96	ACUITE BBB | Stable | Assigned	-
Bank Loan Ratings	17.84	ACUITE BBB | Stable | Reaffirmed	-
Bank Loan Ratings	23.00	-	ACUITE A2 | Assigned
Bank Loan Ratings	55.30	-	ACUITE A2 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	111.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE t riple B)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.73.14 Cr bank facilities of Highway Infrastructure Limited (HIL).

Acuité has also assigned the long-term rating of **'ACUITE BBB' (read as ACUITE t riple B)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.37.96 crore bank facilities of HIL. The outlook is 'Stable'.

Rationale for rating reaffirmation:

The reaffirmation in the rating reflects the improvement in the revenues in FY2021, moderate financial risk profile and adequate liquidity position marked by adequate cash accruals against moderate repayment obligations. The rating, however, remains constrained on account of fluctuating margins and working capital intensive operations.

About the Company

Indore-based, HIL was incorporated in 2006 by the Agarwal and Jain family. The company is currently headed by Mr. Anoop Agarwal and Mr. Arun Kumar Jain. HIL is engaged in executing infrastructural construction projects for roads, bridges and buildings etc. Along with that, another line of business is real estate project development and toll projects.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HIL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced promoters and long track record of operations

HIL is promoted by Mr. Anoop Agarwal and Mr. Arun Kumar Jain. The promoters have a combined experience over 50 years in the construction industry. The top management of the company is aided by an equally experienced second line of management personnel. The company has been able to establish long and healthy relationship with its customers and suppliers owing to the promoter`s rich experience and the long track record of operations of over 15 years. Further, HIL has diversified its revenue streams into real estate projects and toll projects. HIL has been able to improve its scale of operations year on year backed by repeated orders by its customers as seen by the turnover of Rs.146.63 crore in FY2021 as against Rs.99.87 crore in FY2020 and Rs.97.82 crore in FY2019. The Company has already achieved turnover of Rs.221.84 crore for 9MFY2022 and is expecting to achieve Rs.305-306 crore in FY2022. The company has healthy orders book position. This gives adequate revenue visibility over the medium term.
Acuité believes HIL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

>Moderate financial risk profile

Financial risk profile of HIL is moderate marked by moderate gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 0.52 times as on March 31, 2021 against 0.49 times as on March 31, 2020. TOL/TNW stood at 1.24 times as on March 31, 2021 against 1.36 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.54.06 crore as on March 31, 2021 against Rs.46.34 crore as on March 31, 2020. Of the total debt of Rs.27.87 crore as on March 31, 2021, long-term debt stood at Rs.4.00 crore, short-term debt stood at Rs.21.26 crore and CPLTD stood at Rs.2.62 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 4.57 times and 0.37 times respectively in FY2021; while DSCR stood at 2.47 times in FY2021.
Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals and no debt-funded capex in near to medium term.

Weaknesses

>Working capital intensive operations

HIL's working capital operations improved but are still intensive marked by Gross Current Asset days (GCA) of 194 days in FY2021 against 241 days in FY2020. The inventory days stood at 113 days in FY2021 against 138 days in FY2020. The company maintains an inventory holding policy of 30-60 days. However, the inventory days increased in FY2021 majorly due to the impact of Covid-19. The debtors' days stood at 31 days in FY2021 against 69 days in FY2020 which is corresponding to normal terms with the customers. The credit period given to customers is around 30-90 days. The creditors' days stood at 155 days in FY2021 against 83 days in FY2020. The company purchases raw materials such as steel, bitumen, sand, etc. from local suppliers on cash basis only. However, the creditors' days increased in FY2021 majorly due to the impact of Covid-19. However, working capital limits remains utilized at 90-95 percent for last 6 months ended January, 2022.
Acuité believes that HIL's working capital intensive operations would be mitigated by the availability of adequate liquidity over the medium term.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material covenants

None

Liquidity Position: Adequate

HIL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.8.33 crore – Rs.10.44 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.2.13 crore – Rs.4.26 crore during the same period. It is expected to generate cash accruals in the range of Rs.24.37 crore – Rs.39.45 crore over the medium term, against moderate repayment obligations in the range of Rs.1.50 crore – Rs.2.30 crore. Unencumbered cash and bank balances stood at Rs.0.87 crore as on March 31, 2021 with a current ratio of 1.38 times in the same period. Liquid investments stood at Rs.26.27 crore as on March 31, 2021. However, working capital limits remains utilized at 90-95 percent for last 6 months ended January, 2022.
Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that HIL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	146.63	99.87
PAT	Rs. Cr.	7.72	6.69
PAT Margin	(%)	5.26	6.70
Total Debt/Tangible Net Worth	Times	0.52	0.49
PBDIT/Interest	Times	4.57	4.13

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Infrastructure Sector: https://www.acuite.in/view-rating-criteria-51.htm
- Application Of 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

Date	Name of Istruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Feb 2021	Cash Credit	Long Term	10.00	ACUITE BBB | Stable (Assigned)
	Bank Guarantee	Short Term	15.50	ACUITE A2 (Assigned)
	Working Capital Term Loan	Long Term	2.11	ACUITE BBB | Stable (Assigned)
	Working Capital Term Loan	Long Term	0.95	ACUITE BBB | Stable (Assigned)
	Bank Guarantee	Short Term	19.90	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A2 (Assigned)
	Working Capital Term Loan	Long Term	0.68	ACUITE BBB | Stable (Assigned)
	Cash Credit	Long Term	0.10	ACUITE BBB | Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.40	ACUITE A2 | Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2 | Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 | Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	19.90	ACUITE A2 | Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2 | Assigned
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2 | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB | Stable | Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB | Stable | Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB | Stable | Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE BBB | Stable | Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE BBB | Stable | Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.26	ACUITE BBB | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	0.50	ACUITE BBB | Stable | Assigned
HDFC	Not	Working Capital	06-01-2020	7.45	07-01-2024	2.11	ACUITE BBB |

Bank Ltd	Applicable	Term Loan					Stable | Reaffirmed
Axis Bank	Not Applicable	Working Capital Term Loan	07-10-2020	9.25	06-10-2024	0.95	ACUITE BBB | Stable | Reaffirmed
Yes Bank Ltd	Not Applicable	Working Capital Term Loan	01-01-2022	8.15	02-01-2026	0.68	ACUITE BBB | Stable | Reaffirmed

Note:
Axis Bank CC limit of Rs.1.00 crore (as sublimit to BG limit)- Continuation. Interchangeability from CC limit to BG limit of Rs.4.00 crore.
Axis Bank BG- Int erchangeability from CC limit to BG limit of Rs.4.00 crore.
Yes Bank CC- BG- Performance / Financial is sublimit of CC to the extent of Rs.5.00 crore.
Kotak Mahindra Bank CC- WCDL is sublimit of CC to the extent of Rs.10.00 crore and BG-II is sublimit of CC to the ext ent of Rs.5.00 crore.

Contacts

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.