

## Press Release

### Highway Infrastructure Limited

May 24, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.80	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	78.30	-	ACUITE A2   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	111.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

\*Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.111.10 Cr bank facilities of Highway Infrastructure Limited (HIL). The outlook is '**Stable**'.

#### Rationale for rating reaffirmation:

The reaffirmation in the rating reflects the improvement in the revenues in FY2021 & FY2022, 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

Acuite 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 achieved a turnover of Rs.280.90 crore for FY2022. The improvement in the revenues in FY2022 is majorly due to increase in toll collection business for NHAI. The company has healthy orders book position of Rs.423.22 crore up to FY2024. This gives adequate revenue visibility over the medium term. The margins are also expected to improve going forward due to increase in toll collection business for NHAI.

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 March, 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.21.04 crore – Rs.36.25 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 March, 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 Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	0.10	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.95	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Assigned)

11 Mar 2022	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	19.90	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.40	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A2 (Assigned)
	Working Capital Term Loan	Long Term	0.68	ACUITE BBB   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	3.20	ACUITE BBB   Stable (Assigned)
	Working Capital Term Loan	Long Term	2.11	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.26	ACUITE BBB   Stable (Assigned)
02 Feb 2021	Cash Credit	Long Term	4.00	ACUITE BBB   Stable (Assigned)
	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)

## 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   Reaffirmed
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   Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	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   Reaffirmed
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   Reaffirmed
HDFC Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	8.20	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.51	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.25	ACUITE BBB   Stable   Reaffirmed
HDFC	Not	Working Capital	01-06-2020	7.45	01-07-2024	2.11	ACUITE BBB

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

**Note:**

- Axis Bank CC limit of Rs.1.00 crore (as sublimit to BG limit )- Continuation.
- Axis Bank- 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-I I is sublimit of CC to the extent of Rs.5.00 crore.

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Ashvita Ramesh Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:ashvita.ramesh@acuite.in">ashvita.ramesh@acuite.in</a>	

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

**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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.