

## Press Release

### HIGHWAY INFRASTRUCTURE LIMITED

August 18, 2023

#### Rating Reaffirmed & Withdrawn and Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term R
Bank Loan Ratings	32.29	ACUITE BBB   Reaffirmed & Withdrawn	-
Bank Loan Ratings	0.51	Not Applicable   Withdrawn	-
Bank Loan Ratings	78.30	-	ACUITE A2   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	111.10	-	-

## Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of 'ACUITE BBB' (read as ACUITE triple B) and the short-term rating of 'ACUITE A2' (read as ACUITE A two) on the Rs.110.59 Cr. bank facilities and has withdrawn the proposed long term rating of Rs. 0.51 Cr. bank facilities of Highway Infrastructure Limited (HIL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

### Rationale for reaffirmation

The rating reaffirmation takes into account the sustenance of the operating performance and financial risk profile of the company. The revenue of the company stood at Rs. 268.22 Cr. in FY2023(prov.) as against Rs. 291.80 Cr. in FY2022. The operating profit margin improved to 7.17% in FY2023(prov.) as against 5.80% in FY2022. The financial risk profile of the company continues to be moderate marked by moderate network, moderate debt protection metrics and low gearing level. The tangible net worth of the company stood at Rs. 73.57 Cr. as on March 31, 2023(prov.) as against Rs.62.31 Cr. as on March 31, 2022. The company follows a conservative leverage policy as reflected in its gearing of 0.57 times as on March 31, 2023 (prov.) as against 0.68 times as on March 31, 2022. The rating, however, remains constrained on account of 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.

The revenue of the company stood at Rs. 268.22 Cr. in FY2023(prov.) as against Rs. 291.80 Cr. in FY2022. However, the operating profit margin improved to 7.17% in FY2023(prov.) as against 5.80% in FY2022. The PAT margin stood at 4.21% in FY2023 (prov.) as against 2.84% in FY2022.

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

The financial risk profile of the company is moderate marked by moderate networth, moderate debt protection metrics and low gearing level. The tangible net worth of the company stood at Rs. 73.57 Cr. as on March 31, 2023(prov.) as against Rs.62.31 Cr. as on March 31, 2022. The company follows a conservative leverage policy as reflected in its gearing of 0.57 times as on March 31, 2023 (prov.) as against 0.68 times as on March 31, 2022. The debt protection metrics are moderate with interest coverage ratio (ICR) of 4.67 times for FY2023(prov.) as against 3.44 times for FY2022. The debt service coverage ratio (DSCR) stood at 2.33 times for FY2023(prov.) as against 2.00 times for FY2022.

Acuité believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals.

### Weaknesses

#### Working Capital intensive nature of operations

The operations of the company are of working capital intensive nature marked by high gross current asset (GCA) days. The GCA days stood at 127 days for FY2023(prov.) as against 121 days for FY2022. The inventory days stood at 59 days for FY2023 (prov.) as against 64 days for FY2022. The debtor days stood at 33 days for FY2023(prov.) as against 20 days for FY2022. The creditor days stood at 11 days for FY2023(prov.) as against 14 days for FY2022.

### 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

The liquidity position of the company is adequate marked by adequate net cash accruals against its maturing debt obligations. The company generated net cash accrual of Rs. 13.79 Cr. in FY2023(prov.) as against maturing debt obligations of Rs. 3.18 Cr. The cash and bank balance stood at Rs. 0.30 Cr. as on March 31, 2023(prov.).

Outlook : Not Applicable

Other Factors affecting Rating  
None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	268.22	291.80
PAT	Rs. Cr.	11.29	8.29
PAT Margin	(%)	4.21	2.84
Total Debt/Tangible Net Worth	Times	0.57	0.68
PBDIT/Interest	Times	4.67	3.44

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

Brickworks vide its press release dated 31st March 2023, had downgraded the company to BWR B+/Stable/A4; Issuer Not Cooperating.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 May 2022	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.95	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.68	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.40	ACUITE A2 (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.25	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	0.10	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.51	ACUITE BBB   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	8.20	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	19.90	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Reaffirmed)
	Working Capital Term Loan	Long Term	2.11	ACUITE BBB   Stable (Reaffirmed)
11 Mar 2022	Working Capital Term Loan	Long Term	2.11	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)
	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)
		Long		ACUITE BBB   Stable

	Cash Credit	Term	10.00	(Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A2 (Assigned)
	Working Capital Term Loan	Long Term	0.68	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)
	Cash Credit	Long Term	0.10	ACUITE BBB   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	3.20	ACUITE BBB   Stable (Assigned)
02 Feb 2021	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)
	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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.40	ACUITE A2   Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2   Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A2   Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	19.90	ACUITE A2   Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB   Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB   Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.10	ACUITE BBB   Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	8.20	ACUITE BBB   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.51	Not Applicable   Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	0.25	ACUITE BBB   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.11	ACUITE BBB   Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.95	ACUITE BBB   Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	0.68	ACUITE BBB   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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