Rating Rationale

Hemen Deka

7 Feb 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 19.95 Crores of Hemen Deka.(HD or Firm)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2017)	Present
Fund based Cash Credit	**4.95**	**4.95**	**Long Term**	**BWR BB Outlook:Stable (Pronounced as BWR Double B)**	**BWR BB+ Outlook:Stable (Pronounced as BWR Double B Plus) (Upgraded)**
Proposed Addl. CC	**2.00**	**-**	**Long Term**		
Non Fund Based BG	**15.00**	**15.00**	**Short Term**	**BWR A4 (Pronounced as BWR A Four)**	**BWR A4+ (Pronounced as BWR A Four Plus) (Upgraded)**
Proposed Addl. BG	**5.00**	**-**	**Short Term**		
Total	**26.95**	**19.95**	**INR Nineteen Crores and Ninety Five Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note : The firm has taken additional BG limit of Rs. 5.50 crs which is secured by 100% FDR.

Ratings: Upgraded

Brickwork Ratings upgrades the long term rating for bank loan facilities aggregating to Rs. 19.95 Crores of **Hemen Deka** (**'**HD', or 'the firm')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied on Audited Financials upto FY 18, projections of FY 19, publicly available information and information/clarification provided by firm's management

The rating continues to derive its strength from the long standing experience of the promoter in the industry, comfortable ISCR & DSCR metrics, Moderate Capital Gearing Ratio. The rating also factors the healthy order book position and turnover achieved in the first 10 months of FY19. However the rating is

constrained by moderate scale of operations, project execution and geographical concentration risk, proprietorship nature of constitution and working capital intensive nature of operations.
Going forward, ability of the firm to further improve its scale of operations and to strengthen its credit risk profile will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**
  - ➢ **Experience of Promoter-** Hemen Deka a proprietorship concern, established by Mr. Hemen Deka who has 17 years of experience in this industry.
  - ➢ **Comfortable ISCR & DSCR metrics:** ISCR & DSCR of the firm is favourable and stood at 5.26 & 4.21 respectively in FY18.
  - ➢ **Healthy Order Book Position and Turnover of FY19:** The firm has already achieved a turnover of Rs. 117.53 and has a healthy order book position of around Rs. 100 crs.

- **Credit Risks:**
  - ➢ **Intense Competition :** The industry is highly competitive and fragmented in nature because of presence of established players as well as numerous small players in unorganised sector.
  - ➢ **Constitution :** The firm is exposed to inherent risk of fluctuation in capital due to withdrawal of capital.
  - ➢ **Moderate Scale of Operations:** The turnover of the firm remains moderate at Rs. 26.32 crs in FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes that **Hemen Deka's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the firm :

Established in 2000, as a proprietorship concern , M/s Hemen Deka is primarily engaged in civil construction, Electrical installation work and Earthwork in filling/cutting for making Railway embankment. It has been licensed as Class I Contractor by Govt. of Assam for Electrical Contracts, having Registered office situated in Chinaki Path, House No.20, Guwahati -781024. It is promoted by Mr. Hemen Deka who looks after the day to day affairs of the entity along with a team of experienced personnel.

Firm's Financial Performance :

The Total Operating Income has improved from Rs 23.36 CRs in FY 17 to Rs 26.32 CRs in FY 18. Operating profit margin of the firm has improved from 14.43% in FY17 to 19.94% in FY18. The Profit after tax has improved from Rs 2.00 Crs in FY 17 to Rs 4.41 Crs in FY 18. Tangible Net worth stood at Rs 5.64crs in FY18. As informed by the management the firm has achieved a turnover of Rs.117.53 crs in the first 10 months of FY19.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	13, Nov, 2017	2016	2015
1)	**Fund Based**	Long Term	4.95	**BWR BB+ (Outlook: Stable) (Pronounced as BWR Double B Plus) Outlook: stable (Upgraded)**	**BWR BB Outlook:Stable (Pronounced as BWR Double B)**	**NA**	**NA**
2)	**Non Fund Based**	Short Term	15.00	**BWR A4+ (Pronounced as BWR A Four Plus) (Upgraded)**	**BWR A4 (Pronounced as BWR A Four)**		
	Total		**19.95**	**₹ Nineteen Crores and Ninety Five Lakhs Only**			

Status of non-cooperation with previous CRA: not to our knowledge Any other information-Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	Crores	26.32	23.36
EBITDA	Crores	5.25	3.37
PAT	Crores	4.41	2.00
Tangible Net worth	Crores	5.64	5.81
Total Debt/Tangible Net worth	Times	1.31	1.40
Current Ratio	Times	1.23	1.42

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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