

March 08, 2013

Facilities	Amount (Rs. Crores)	Rating
Bank Guarantee	20.00	SMERA A4+/Assigned

SMERA has assigned a rating of '**SMERA A4+** (read as SMERA A four plus)' to the Rs. 20.00 crores short term facility of Hardev Construction Private Limited (HCPL). The rating derives support from the rich experience of the promoter, HCPL's long standing presence in the construction industry as Class I contractor for Water Resources Departments of Bihar and Jharkhand and healthy order book on account of high infrastructure development related spending by Bihar & Jharkhand state government. The rating is, however, constrained by its moderate scale of operations, customer and geographic concentration risk, dependence on government tenders, susceptibility of HCPL's margins to fixed price contracts without price escalation clause and risk associated with tender based contract receipt.

HCPL is in existence for past 28 years and caters to government bodies viz. Water Resources Department of Bihar and Jharkhand, Rural Works Division and Eastern Railways etc. It is enlisted as Class I contractor for Water Resources Department of Bihar and Jharkhand since 1997 and 2002, respectively, and is eligible to bid for unlimited tender value. However, HCPL has primarily executed small to mid size projects, with largest project value being Rs. 52.60 crores.

HCPL's revenues are largely dependent on tenders received from Government departments in Bihar, Jharkhand, Paschim Banga and Eastern Railways. HCPL has witnessed a CAGR of 34.92% in operating income during the period FY 2008 to FY 2012. New opportunities for business have opened up for HCPL from new rail link being developed between Dumka and Deoghar.

Over the past 5 years, HCPL was able to maintain 7% operating profit margins. However, net profit margin had declined in FY 2011 due to increase in depreciation. Further, due to fixed price nature of its contracts and lack of price escalation clause in its contracts with customers, HCPL's margins are likely to come under pressure as input costs could increase if executions of projects are delayed.

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As on December 2012, HCPL has a healthy order book position of 11 contracts worth Rs. 96.59 crores. As per 9 monthly (April to December, 2012) provisional financials, HCPL has booked a revenue of Rs. 25.78 crores and the full year revenue for FY 2012-13 is expected to remain same as posted for FY 2012. The company has a comfortable leverage position with the total debt to equity ratio at 0.30 as on 31/Mar/2012 and the interest coverage ratio at 5.48 for FY 2012.

About Hardev Construction Private Limited

HCPL was originally established in the year 1985 under the name "M/s Hardev Singh" as a partnership firm by Mr. Hardev Singh and Mr. Avtar Singh as founder partners. On 29th Aug, 1994, the constitution of the company was changed to private limited with Mr. Hardev Singh and Mr. Avtar Singh as its founder directors. The management of the company is headed by Mr. Hardev Singh, who has around four decades of experience in similar line of business.

HCPL is a civil contractor and engaged in construction of bridges, dams, barrages, roads, earthworks and other allied services for the government departments. HCPL mainly caters to Water Resources Departments of Bihar and Jharkhand, Rural Works Division, Eastern Railways and other government departments. HCPL is enlisted as Class I contractor for Water Resources Departments of Bihar and Jharkhand. The registered office of HCPL is situated at Kolkata, Paschim Banga and administrative office is situated at Deoghar, Jharkhand.

For FY 2012, HCPL reported a net profit of Rs. 2.06 crores on a total income Rs. 47.80 crores, as against a net profit of Rs. 0.95 crores on a total income of Rs. 29.25 crores for FY 2011.

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