

## Press Release

### HMM Infra Limited (HIL)

March 18, 2017

### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs.45.50 Cr (enhanced from Rs. 35.00 Cr)
<b>Long Term Rating</b>	SMERA BB+/Stable (Upgraded and Assigned)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

\*Refer Annexure for details

### Rating Rationale

SMERA has upgraded the long term rating to **SMERA BB+ (read as SMERA double B plus)** from SMERA BB (read as SMERA double B) on the Rs. 11.50 cr bank facilities and assigned long term rating of '**SMERA BB+ (read as SMERA double B plus)**' to the Rs. 4.00 cr bank facilities of HMM Infra Limited (HIL). Further, SMERA has reaffirmed the short term rating of '**SMERA A4+ (read as SMERA A four plus)**' on the Rs.30.00 cr facilities of HIL. The outlook is '**Stable**'.

The rating upgrade is in view of the improvement in the company's business risk profile marked by healthy growth in revenue and profitability and working capital cycle. Further, SMERA believes that the company will sustain the improvement in the business risk profile owing to its healthy order book position.

HIL, incorporated in 1996, is a Chandigarh-based company promoted by Mr. Bhupinder Goel and family. The company is engaged in the manufacturing and fabrication of heavy steel structures and has annual capacity of 21,000 MTPA.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management:** The Director, Mr. Bhupinder Goel possesses more than three decades of experience in the above mentioned line of business.

**Modest scale of operations:** The scale of operations has been modest with operating income of Rs.87.24 cr for FY2016 as compared to Rs.50.54 cr in FY2015. Further, the company has reported significant growth in revenue of ~73 per cent in FY2016 over FY2015 on account of favourable government policies.

**Above-average financial risk profile:** The gearing (debt to equity) stood at 0.55 times as on 31 March, 2016 as compared to 0.62 times in the previous year. Further, the Interest coverage ratio stood at 3.29 times for FY2015-16 as compared to 4.03 times in the previous year. Also, the DSCR stood at 1.73 times for FY2015-16 as compared to 2.62 times in the previous year.

**Healthy order book position:** HIL has healthy unexecuted order book of ~ Rs.190 cr as on 31 December, 2016 providing strong revenue visibility over the near to medium term.

**Weaknesses:**

**Working capital intensive operations:** HIL has working capital intensive operations reflected in the high Gross Current asset (GCA) days of 191 in FY2016 as compared to 287 days in the previous year. The decline in GCA days during FY2016 was mainly on account of decline in inventory days from 176 days as on 31 March, 2015 to 89 days as on 31 March, 2016. The receivables days were elevated at 90 days for FY2015-16 as compared to 63 days in the previous year.

**Susceptibility of performance to timely receipt and execution of orders:** The operations of the company are tender based. HIL will have to ensure timely execution of orders in order to maintain a stable growth in revenues. Hence, challenges faced in execution of orders such as delays in approvals are likely to impact revenues and profitability over the near to medium term.

**Analytical approach:** SMERA has considered the standalone financial and business risk profiles of HIL.

**Applicable Criteria**

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook – Stable**

SMERA believes that HIL will maintain a stable outlook and continue to benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profitability while improving its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

**About the Rated Entity**

HIL, incorporated in 1996, is a Chandigarh-based company promoted by Mr. Bhupinder Goel and family. The company is engaged in the manufacturing and fabrication of heavy steel structures. The annual capacity stands at 21,000 MTPA.

For FY2016, HIL reported profit after tax of Rs.2.77 cr on net sales of Rs.87.24 cr as compared with profit after tax of Rs.5.25 cr on net sales of Rs.50.54 cr in the previous year.

**Status of non-cooperation with previous CRA (if applicable):** India Ratings vide release dated October 21, 2016 has suspended its ratings and stated "Issuer did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure."

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	11.50	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)	03 Mar, 2016	SMERA BB/Stable (Assigned)	-	-	-	-
Term Loan	LT	4.00	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	30.00 (enhanced from Rs. 23.00 crore)	SMERA A4+ (Reaffirmed)	03 Mar, 2016	SMERA A4+ (Assigned)	-	-	-	-
Proposed Non-Fund Based	-	-	-	03 Mar, 2016	SMERA A4+ (Assigned)	-	-	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	11.50	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Term Loan	N.A	N.A	N.A	4.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	30.00 (enhanced from Rs. 23.00 crore)	SMERA A4+ (Reaffirmed)

**Note on complexity levels of the rated instrument:**
<https://www.smera.in/criteria-complexity-levels.htm>

**Contacts:**

<b>Analytical</b>	<b>Rating Desk</b>
Vinayak Nayak, Head – Ratings Operations Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Jay Joshi Executive Analyst, Tel:022-67141111 Email: <a href="mailto:jay.joshi@smera.in">jay.joshi@smera.in</a>	

**ABOUT SMERA**

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