

Press Release

Hitech Engineers And Infra Developers

June 28, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.50 crore bank facilities of Hitech Engineers And Infra Developers. The outlook is '**Stable**'.

Hitech Engineers and Infra Developers (HEID) is a Chennai-based proprietorship firm that undertakes civil contracts for commercial as well as residential projects. The firm has executed various projects (roads, bridges, commercial and residential buildings) for private entities.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

HEID was established in 1995 by Mr. Thiagarajan who possesses around three decades of experience in civil construction.

- Average financial risk profile**

The average financial risk profile is marked by gearing (debt to equity ratio) of 1.16 times as on 31 March, 2016 compared to 0.83 times as on 31 March, 2015. The firm has interest coverage ratio (ICR) of 1.66 times for FY2015-16. The total outside liabilities over tangible networth (TOL/TNW) stood at 1.30 times as on 31 March, 2016. The RoCE stood at 10.66 percent for FY2015-16.

Weaknesses

- Small scale of operations**

The scale of operations is small with operating income of Rs.24.79 crore in FY2015-16 and Rs.28.48 for FY2016-17 (Provisional). Since the operations are limited to Tamil Nadu state, the firm is exposed to geographic concentration risk.

- Proprietorship constitution**

The firm is exposed to risk of capital withdrawal owing to its proprietorship constitution.

- Low profitability**

The operating margins stood at 3.96 per cent for FY2017 (Provisional) and 3.98 per cent for FY2016. The PAT margins stood at 1.10 per cent for FY2017 (Provisional) and 1.17 per cent for FY2016.

- Stretched liquidity position**

HEID has working capital intensive operations with gross current assets (GCA) of ~116 days in FY2015-16 and 161 days in FY2016- 17 (Provisional). The high GCA days are due to high debtors of 66 days in FY2015-16 and 97 days in FY2016 -17(Provisional). The cash credit limit has been fully utilised in the last six months ended April 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook on HEID's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and liquidity position due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

For FY2015-16, HEID reported net profit of Rs. 0.29 crore on operating income of Rs. 24.79 crore compared to net profit of Rs. 0.24 crore on operating income of Rs. 18.43 crore in the previous year. The net worth stood at Rs. 4.06 crore as on 31 March, 2016 compared to Rs. 3.86 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B / Stable

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