

### Hyderabad Power Installations Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Overdraft	6.00	SMERA BB /Stable (Assigned)
Bank Guarantee	12.00	SMERA A4+(Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) to the above mentioned bank facilities of Hyderabad Power Installations Private Limited (HPIPL). The outlook is '**Stable**'. The ratings derive comfort from the healthy financial risk profile, healthy order book and reputed clientele. The ratings also draw support from the experienced management and long track record of operations. The ratings are however constrained by the small scale of operations and working capital intensive business. The ratings also factor in the tender based business.

HPIPL, incorporated in 1976, is a Hyderabad-based company engaged in the laying of transmission lines, setting up of power sub-stations and renewable allied work. The company has a healthy financial risk profile marked by gearing of 0.71 times as on 31 March, 2015. The coverage indicators have declined from 3.12 times in FY2014 to 2.68 times in FY2015. The DSCR stands at 2.13 times in FY2015. The company has Rs.22 crore of orders as on 31 March, 2016. HPIPL caters to TSTRANSCO (Transmission Corporation of Telangana Limited) and Lakshmi Transmission.

However, HPIPL benefits from its experienced management and long track record. The promoter - Mr. Y Keshav Reddy has more than three decades of experience in the industry. The operations are working capital intensive as reflected in the gross asset days of 125 days. The six months average utilisation of overdraft stands at 82 per cent ended March 2016. Besides, the company is highly dependent on tenders floated by government entities.

#### Rating Sensitivity Factors

- Growth in revenue while sustaining profitability
- Efficient working capital management

#### Outlook-Stable

SMERA believes HPIPL will maintain a stable outlook over the medium term. The company will continue to benefit from its established operations and long-standing relations with the clients. The outlook may be revised to 'Positive' if the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or significant deterioration in the capital structure and liquidity position.

#### About the Company

HPIPL, incorporated in 1976 is an EPC (engineering, procurement, and construction) contractor in the electricity and power sector. The company undertakes turnkey projects in electrical generation, sub-station, transmission and distribution among others. It has executed several projects in Andhra Pradesh and Telangana.

For FY2014-15, HPIPL reported PAT (profit after tax) of Rs.1.33 crore on operating income of Rs.35.44 crore as against PAT of Rs.0.68 crore on operating income of Rs.20.49 crore in the previous year.

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### ABOUT SMERA

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