

Press Release

5 July, 2017

H D Infrastructure (HDI)

Rating Assigned



Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.7.98 crore (fund based) facilities and '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.02 crore (non-fund based) of HD Infrastructure (HDI). The outlook is '**Stable**'.

HD Infrastructure (HDI), is a Karnataka-based partnership firm engaged in civil construction and caters to government departments such as Karnataka Housing Board (KHB), Bangalore Metropolitan Transport Corporation (BMTCL). The firm undertakes construction, improvement, widening, and straightening of roads.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Established in 2009, HD Infrastructure (HDI) undertakes road works such as construction, improvement, widening, and straightening of roads.

A Class-A government-approved contractor, HDI is led by five partners - Mr. Lakshmikanth Gowda, Mr. M Ramesh Kumar, Mr. M.S Narayana Reddy, Mr. Ravishnakar, and Mr. Sunil Gowda who have close to a decade of experience in the said industry.

Moderate financial risk profile: The moderate financial risk profile is marked by gearing of 1.50 times in FY2016 as compared to 0.96 times in FY2015. The debt mainly consists of cash credit facility from the bank. Both, interest coverage and debt service coverage ratios stood at 3.18 times in FY2016. The net worth is low and stood at Rs.4.35 crore as on 31 March, 2016.

Weaknesses:

Modest scale of operations: HDI's modest scale of operations are marked by revenue of Rs.21.42 crore in FY2016 as compared to Rs.21.96 crore in FY2015. However, the firm registered revenue of around Rs.53 crore till mid-March 2017 (Provisional). The firm has an order book of around Rs. 60 cr which lends moderate revenue visibility over the medium term.

Working capital intensive operations: HDI's working capital intensive operations are marked by Gross Current Asset (GCA) days of 145 days and 116 days in FY2016 and FY2015 respectively mainly because of high deposits and advances other than the usual debtors and inventories in FY2016. Also in FY2015, the current assets are high due to the receivables on account of the subcontracting work undertaken. In FY2016, the debtors and inventories stood at 21 days and 12 days respectively against creditor of 108 days.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the company.

Applicable Criteria

- Infrastructure Entities - <https://www.smera.in/criteria-infra.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 HDI will maintain a stable outlook over the medium term while benefitting from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if HDI scales up operations while maintaining profitability and improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues or if the working capital cycle further deteriorates.

About the Rated Entity

HD Infrastructure (HDI) is engaged in civil construction and caters to Karnataka Housing Board (KHB), Bangalore Metropolitan Transport Corporation (BMTC). The firm undertakes road work such as construction, improvement, widening, and straightening. HDI is a Class A government-approved contractor and is led by Mr. Lakshmikanth Gowda, Mr. M Ramesh Kumar, Mr. M.S Narayana Reddy, Mr. Ravishnakar, and Mr. Sunil Gowda.

For FY2016, HDI reported profit after tax (PAT) of Rs.1.40 crore on total operating income of Rs.21.42 crore, as compared with PAT of Rs.1.34 crore on total operating income of Rs.21.96 crore in FY2015. The tangible net worth stood at Rs.4.35 crore in FY2016 as compared to Rs.3.30 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

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	Long Term	4.75	SMERA B+/ Stable (Assigned)	-	-	-	-	-	-
Proposed Cash Credit	Long Term	3.23	SMERA B+/ Stable (Assigned)						
Bank Guarantee	Short Term	7.02	SMERA A4 (Assigned)	-	-	-	-	-	-

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	4.75	SMERA B+/ Stable (Assigned)
Proposed Cash Credit	N.A	N.A	N.A	3.23	SMERA B+/ Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	7.02	SMERA A4 (Assigned)

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

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