

Press Release

Hyprecision Hydraulik

24 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of **'SMERA BB+' (read as SMERA double B plus)** and short-term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.17.00 crore bank facilities of Hyprecision Hydraulik (HH). The outlook is **'Stable'**.

HH, is a Mumbai-based proprietorship concern established in 1984 by Mr. Suresh Rajani. The firm is engaged in the designing, engineering, installation, commissioning and maintenance of hydraulic systems and equipments for the marine sector.

About the Group

The Hyprecision group consists of Hyprecision Hydraulik and H and H Precision Private Limited incorporated in 2011. The firms are engaged in the same line of activity. The group is promoted by Mr. Suresh Rajani and his son, Mr. Gaurav Rajani. It caters to several industries including sugar, mining, oil, defence to name a few and includes government as well as semi government organisations such as the Indian Navy, ONGC, Mazagon Dock Limited, Shipping Corporation of India among others.

List of key rating drivers and their detailed description

Strengths

Long operational track record and experienced management

The Hyprecision Group is engaged in the aforementioned business for more than three decades. The promoter, Mr. Suresh Rajani, (B.E, - Mechanical) is supported by his son, Mr. Gaurav Rajani. Both collectively possess more than three decades of experience in the designing and manufacturing of electro-hydraulic systems.

The established operational track record and experienced promoters have helped the firm maintain long term relations with customers and suppliers. The group caters to a reputed client base including Naval Dockyard (Mumbai), Naval Dockyard (Visakhapatnam) Ship Building Centre (SBC), Visakhapatnam, Maranon Dock Limited, Shipping Corporation of India Limited among others. The group also caters to private companies including SICAL Logistics Limited, Seamec Limited and HAL Offshore Limited.

Comfortable financial risk profile marked by healthy gearing and coverage indicators

The group has comfortable financial risk profile marked by tangible networth of Rs. 12.84 crore as on 31 March, 2017 compared to Rs. 8.29 crore in the previous year. The increase in networth is mainly on account of retention of profits and capital infusion by promoters. The gearing stood at 1.14 times as on 31 March, 2017 as against 2.68 times in the previous year. The total debt of Rs. 14.70 crore as on 31

March, 2017 includes long term debt of Rs.2.46 crore, short term debt of Rs. 7.68 crore and unsecured loan from related parties of Rs.4.56 crore. The Interest Coverage Ratio is comfortable at 2.33 times for FY2017 as against 2.35 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 1.52 times for FY2017 as against 1.61 times in the previous year. The Total outside Liabilities to Tangible Networth (TOL/TNW) stood at 2.28 times as on 31 March, 2017 as against 3.94 times in the previous year. The net cash accruals to total debt stood at 0.15 times for FY2017 as against 0.09 times in FY2016. Going forward, SMERA expects the group to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirements.

Weaknesses:

Modest scale of operations

The scale of operations is modest with operating income of Rs. 48.50 crore for FY2017 as against Rs. 39.15 crore in FY2016. The group has adopted a cautious approach to growth. However, the revenues of the group have more than doubled from Rs.18.98 crore in FY2014 to Rs.48.50 crore in FY2017. The growth was mainly on account of higher contribution from the supply segment to the sales. Further, as informed by the management, the group reported operating income of Rs. 31.00 crore (Provisional) for the period April, 2017 to December, 2017. The unexecuted order book position of Rs. 65.00 crore as on 31 December, 2017 is expected to be completed over the next 12 to 18 months which provides revenue visibility over the medium term.

Working capital intensive operations

The operations are working capital intensive as reflected by the high Gross Current Asset (GCA) days of 184 for FY2016-17 as against 243 for FY2015-16. This is on account of long execution period of the projects undertaken by the group leading to high amount of work-in-process inventory. Further, as the group is dealing majorly with government organizations, the receivables tend to be on the higher side at 127 days for FY2017. The liquidity position is comfortable as average cash credit limit of the group stood at 73 percent during the last six months ended 31 October, 2017.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Hyprecision Hydraulik (HH) and H and H Precision Private Limited (HHPL) owing to financial and operational linkages, similarities in the lines of business, common management and 50 percent shareholding of HH in HHPL. Further, the promoters plan to merge operations of the entities going forward.

Outlook: Stable

SMERA believes that the Hyprecision group will maintain a Stable outlook and benefit over the medium term from its established position in the electro-hydraulic system. The outlook may be revised to 'Positive' if the group registers significant growth in revenue and improvement in profitability while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins or elongation of the operating cycle resulting in deterioration in the financial risk profile or liquidity position.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.50	39.15	24.45
EBITDA	Rs. Cr.	4.67	3.59	2.82
PAT	Rs. Cr.	1.86	1.57	0.91
EBITDA Margin	(%)	9.62	9.16	11.52
PAT Margin	(%)	3.83	4.02	3.72
ROCE	(%)	17.69	16.56	13.49
Total Debt/Tangible Net Worth	Times	1.14	2.68	1.69
PBDIT/Interest	Times	2.33	2.35	1.71
Total Debt/PBDIT	Times	2.68	4.88	3.51
Gross Current Assets (Days)	Days	184	243	209

Applicable Criteria

- Infrastructure Entities - <https://www.smera.in/criteria-infrastructure.htm>
- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>

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

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	3.00	SMERA BB+/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A.	4.00^	SMERA A4+ (Assigned)
Bank Guarantee	N.A	N.A	N.A.	10.00	SMERA A4+ (Assigned)

[^]Letter of credit is fully interchangeable with Buyers Credit

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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