

Press Release

Hyprecision Hydraulik

June 06, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) and short term rating of '**ACUITE A4+** (read as ACUITE A four plus) on the Rs.10.75 crore bank facilities of Hyprecision Hydraulik (HH). Further, Acuité has assigned short term rating of '**ACUITE A4+** (read as ACUITE A four plus) on the Rs. 6.25 crore bank facilities of HH. The outlook is '**Stable**'.

The rating continues to draw comfort from long operational track record and experienced management and comfortable financial risk profile. However, the aforementioned strengths are partially offset by modest scale of operations and working capital intensive nature of operations.

HH is a Mumbai-based proprietorship concern established in 1984 by Mr. Suresh Rajani. The concern 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 and engaged in same line of activity. The group promoted by Mr. Suresh Rajani and his son, Mr. Gaurav Rajani caters to several industries including sugar, mining, oil and the defence. Additionally, it also includes government as well as semi-government organisations such as the Indian Navy, ONGC, Mazagon Dock Limited, Shipping Corporation of India.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management:**

The Hyprecision Group has been engaged in the aforementioned business for over 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 company 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 to name a few. 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 reported tangible net worth of Rs.18.41 crore as on 31 March, 2018 (Provisional) as against Rs.12.84 crore in the previous year. The increase in net worth is mainly on account of retained profits and capital infusion by the promoters. The debt to equity stood at 0.09 times as on 31 March, 2018(Provisional) as against 1.14 times in the previous year.

The improvement in debt to equity is on account of repayment of unsecured loan, credit balance in cash credit account and improvement in tangible net worth. The total debt of Rs.1.72 crore as on 31 March, 2018 (Provisional) includes long term debt of Rs.1.37 crore and unsecured loan from related parties of Rs.0.35 crore. The interest coverage ratio stood at 5.19 times for FY2018 (Provisional) as against 2.33 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 2.77 times for FY2018 (Provisional) as against 1.52 times in the previous year. The total liabilities to tangible net worth (TOL/TNW) stood at 0.30 times as on 31 March, 2018(Provisional) as against 2.28 times in the previous year. The net cash accruals to total debt stood at 2.78 times for FY2018 (Provisional) as against 0.15 times.

Weaknesses

- **Modest scale of operations**

The Hyprecision group has reported operated income of Rs.43.42 crore for FY2018 (Provisional) as against operating income of Rs.48.50 crore for FY2017 and Rs.39.15 crore in FY2016 inspite of being in business for the last thirty two years. The decline in revenue is mainly on account of slowdown in orders during FY2018 (Provisional) as compared to previous year. However, going forward, the company expects to report modest growth on the back of unexecuted order book position of Rs.26.30 crore as on date which is expected to be executed over the next 12 months.

- **Working capital intensive operations**

The operations of the group is working capital intensive as reflected by the high Gross Current Asset days (GCA) of 115 for FY2018(Provisional) as against 184 days in the previous year. The high GCA days are mainly on account of stretched inventory days at 60 in FY2018 (Provisional) as against 59 in FY2017. This is on account of long execution period of the projects undertaken by the group leading to high amount of work-in-process inventory. However, the liquidity position of the group is comfortable as the average cash credit limit utilisation stood at around 61 percent during the last six months ended as on 31 March, 2018.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of H and H Precision Private Limited (HHPL) and Hyprecision Hydraulik (HH) owing to financial and operational linkages, similarity in the lines of business, common management and 50 percent shareholding of HH in HHPPL. Together, these entities are referred to as Hyprecision group. Further, the promoters plan to merge operations of the entities going forward.

Outlook: Stable

Acuité believes that the Hyprecision group will maintain a 'Stable' outlook 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.42	48.50	39.15
EBITDA	Rs. Cr.	8.66	4.67	3.59
PAT	Rs. Cr.	4.45	1.86	1.57
EBITDA Margin	(%)	19.94	9.62	9.16
PAT Margin	(%)	10.24	3.83	4.02
ROCE	(%)	34.91	17.69	16.56
Total Debt/Tangible Net Worth	Times	0.09	1.14	2.68
PBDIT/Interest	Times	5.19	2.33	2.35
Total Debt/PBDIT	Times	0.20	2.68	4.88
Gross Current Assets (Days)	Days	115	184	243

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

None

Any other information

None

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Jan-2018	Cash Credit	Long Term	3.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	4.00^	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)

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

Applicable Criteria

- Infrastructure entities - <https://acuite.in/view-rating-criteria-14.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

***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	Not Applicable	Not Applicable	Not Applicable	0.75 (reduced from Rs. 3.00 crore)	ACUITE BB+/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.60^@ (reduced from Rs. 4.00 crore)	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00@	ACUITE A4+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE A4+ (Assigned)

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

@Non fund based facilities should not exceed Rs. 10.00 crore limit.

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About Acuité Ratings & Research:

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