

Press Release

Hi-tech Engineers

July 04, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.34.00 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 BB plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 34.00 crore bank facilities of Hi- Tech Engineers (HTE). The outlook is '**Stable**'.

HTE was established as a partnership firm in 1993 by Mr. Ramesh Kumar Madhani and Mr. Mohan Singh Deora. HTE undertakes civil construction contracts such as construction, repairs, and maintenance projects for Municipal Corporation of Greater Mumbai (MCGM). The firm is registered as 'AA' class contractor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the HTE for arriving at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

Incorporated in 1993 HTE has a long operational track record of almost three decades in the Civil Construction industry. The firm also benefits from the extensive experience of the partners including Mr. Mohan Singh Deora and Mr. Ramesh Kumar Madhani, who have more than two decades of experience in the said line of business.

Acuité believes that the business risk profile of the firm is expected to be comfortable backed by the experience of management in the industry over the medium term.

- **Healthy financial risk profile**

HTE has healthy financial risk profile marked by healthy net worth and debt protection metrics. Tangible net worth stands at Rs.32.59 crore as on 31 March 2019 (Provisional) as against Rs.27.83 crore in FY2018. This includes unsecured loan of Rs.9.00 crore as on 31 March 2019 (Provisional) which is considered as quasi equity. The adjusted gearing stood at 0.08 times as on 31 March 2019 (Provisional) as the debt of Rs.2.50 crore as on 31 March 2019 (Provisional) consists of only unsecured loans from promoters. The debt protection metrics are also healthy marked by Interest Coverage Ratio (ICR) of 3.78 times in FY2019 (Provisional) as against 2.02 times in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.18 times as on 31 March 2019 (Provisional) as compared to 1.25 times as on 31 March 2018. Acuité believes that the firm will maintain its financial risk profile over medium term.

- **Moderate Working capital operations**

HTE has moderate working capital nature of operations marked by Gross Current Asset (GCA) of 132 days as on 31 March 2019 (Provisional) as against 395 days as on 31 March 2018. This is mainly due to inventory holding of 48 days as on 31 March 2019 (Provisional) as against 74 days as on 31 March 2017. The firm has debtors outstanding of 30 days in FY2019 as compared to 111 days in FY2018.

Weaknesses

- **Modest scale of operations with limited revenue visibility**

Revenues of the firm are modest at Rs.39.74 crore in FY2018 and Rs.22.28 crore in FY2017, despite the firm is into the said business since 1993. However, the firm reported revenue of Rs.61.92 crore for FY2019 (Provisional) due to increase in new orders in FY2018-FY2019. As on 31 May, 2019, the firm had executable orders of Rs.69.31 crore in hand and expected to complete in the next 4-5 months. Further, this is limiting the revenue visibility of HTE in the near future.

- **Tender based business**

The nature of business is tender based. The firm deals with government organization and going forward its ability to bid for large orders and qualify for the same remains to be seen. However the promoters' experience and relationships with its clientele partially mitigates this risk.

Liquidity Position

HTE has sufficient liquidity marked by net cash accruals of Rs.4.35 crore in FY2019 (provisional) against no maturing debt obligations. The cash accruals of HTE are estimated to remain around Rs.5.51 crore to Rs.8.17 crore during 2020-22. The working capital operations are moderately managed as marked by gross current asset (GCA) days of 132 in FY 2019 (Provisional). The firm maintains unencumbered cash and bank balances of Rs.0.99 crore as on March 31, 2019 (Provisional).

Acuité believes that the liquidity of the HTE is likely to remain adequate over the medium term on account of healthy cash accrual and no repayments over the medium term.

Outlook: Stable

Acuité believes that HTE will maintain a 'Stable' outlook over the medium term owing to the management's extensive experience and established track record of operations in civil construction industry. The outlook may be revised to 'Positive' in case of significant increase in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of elongation of working capital cycle leading to deterioration in its liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	61.92	39.74	22.28
EBITDA	Rs. Cr.	5.34	4.48	3.18
PAT	Rs. Cr.	4.34	2.25	1.84
EBITDA Margin	(%)	8.63	11.26	14.25
PAT Margin	(%)	7.01	5.67	8.26
ROCE	(%)	12.57	9.12	10.67
Total Debt/Tangible Net Worth	Times	0.08	1.11	0.45
PBDIT/Interest	Times	3.78	2.02	2.03
Total Debt/PBDIT	Times	0.42	6.91	3.35
Gross Current Assets (Days)	Days	132	395	233

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited)

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Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-May-2018	Cash Credit	Long Term	10.00	ACUITE BB+ / Stable (Assigned)
	Bank guarantee	Short Term	24.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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