

Press Release

Hi Tech Services

D-U-N-S® Number: 67-547-8430

April 18, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.40 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 6.40 crore bank facilities of Hi Tech Services (HTS). The outlook is '**Stable**'.

Incorporated in 1995, HTS is a proprietorship firm engaged in manufacturing of special purpose vehicles for government entities and fire fighting vehicles. The day to day operations are managed by its proprietor, Mr. Dinesh S. Waghmare. It has two manufacturing units; of which, one is located in Chikali at Pune utilised to manufacture special purpose firefighting vehicles with installed capacity of around 22 vehicles. Other unit is at Khed in Pune utilised to manufacture diesel tanker, cabins, sike loader, and garbage vehicles. It has installed capacity of around 40 diesel tankers.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of HTS to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management:

The day to day operations are managed by its proprietor, Mr. Dinesh S. Waghmare who has experience of two decades in commercial vehicles' industry. The extensive experience has helped the firm build long term relations with customers including Govt. (Defense), Public Sector, Local bodies and Private sector establishments, among others. Acuite believes that HTS will continue to benefit from its experienced management and established relationships with customers.

• Steady scale of operations and stable profitability

The firm reported growth of around 24.00 per cent in revenue marked by operating income of Rs.23.31 crore in FY2018 as against operating income of Rs.18.76 crore in FY2017. The operating margins of the firm increased to 7.55 percent in FY2018 from 6.71 percent in FY2017. Further, the Profit after Tax (PAT) margin also increased to 5.99 per cent in FY2018 from 5.21 per cent in FY2017.

• Comfortable financial risk profile

The financial risk profile is comfortable marked by modest net worth and comfortable debt protection measures and low gearing. The net worth is modest at Rs.6.08 crore as on 31 March, 2018 as against Rs.4.38 crore as on 31 March, 2017. The gearing (debt to equity) stood comfortable at 0.35 times as on March 31, 2018 as against 0.75 times as on March 31, 2017. Total debt of Rs.2.10 crore consists of Rs.1.44 crore of term loans and working capital facility of Rs.0.66 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.77 times as on 31 March, 2018 as against 2.08 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood comfortable at 3.66 times in FY2018 as against 3.63 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.69 times as on 31 March, 2018 as against 0.32 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood comfortable at

3.66 times in FY2018 as against 3.63 times in FY2017. Acuite believes that the financial risk profile of HTS will continue to remain comfortable over the medium term on account of its improving scale of operations and net cash accruals.

Weaknesses

• Intensive working capital operations

HTS has intensive working capital operations marked by high Gross Current Assets (GCA) of 151 days in FY2018 as against 144 days in FY2017. The inventory and debtor levels stood at 6 and 114 days in FY2018 as against 12 and 101 days in FY2017, respectively. As a result, the average utilisation of bank limits stood at ~60 percent in the last six months ending February 2019. Acuite believes that the working capital requirements will continue to remain intensive over the medium term due to the nature of the business.

• Competitive and fragmented industry

The firm operates in a highly fragmented industry, wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Liquidity position

HTS has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.34 to 1.44 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs.0.17 to 0.29 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.2.24 – 3.06 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 0.49 Crore. The firm's working capital operations are intensive as marked by high gross current asset (GCA) days of 151 in FY 2018. This has led to lower reliance on working capital borrowings, the cash credit limit in the firm remains utilized at ~60 percent during the last 6 months period ended February 2019. The firm maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2018. The current ratio of the firm stands at 1.14 times as on March 31, 2018.

Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accrual backed by healthy order book.

Outlook: Stable

Acuite believes that HTS will maintain a 'Stable' outlook over the medium term from the industry experience of its promoter. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in HTS's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.31	18.76	20.62
EBITDA	Rs. Cr.	1.76	1.26	1.57
PAT	Rs. Cr.	1.40	0.98	1.27
EBITDA Margin	(%)	7.55	6.71	7.60
PAT Margin	(%)	5.99	5.21	6.17
ROCE	(%)	24.49	24.10	89.07
Total Debt/Tangible Net Worth	Times	0.35	0.75	0.00
PBDIT/Interest	Times	3.66	3.63	4.49
Total Debt/PBDIT	Times	1.05	2.29	0.00
Gross Current Assets (Days)	Days	151	144	104

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

*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	3.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Saurabh Rane Analyst - Rating Operations Tel: 02249294044 saurabh.rane@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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