



September 17, 2010

## ICRA assigns LBBB- and A3 ratings to the bank facilities of H.D. Enterprises

ICRA has assigned an LBBB- (pronounced L triple B minus) rating to the Rs. 5.00 crore<sup>1</sup> cash credit facility of H.D. Enterprises (HDE)<sup>†</sup>. The outlook for the rating is stable. ICRA has also assigned an A3 (pronounced A three) rating to the Rs. 22.00 crore, short-term, non-fund based, bank guarantee limits of HDE.

The ratings reflect the established position of the firm with more than 30 years of experience in lignite mining services, positive outlook for the coal/lignite mining sector due to the significant capacity additions proposed for thermal based power generation, translating to favourable business potential for mining service providers & relatively moderate barriers to entry for new players on account of stringent technical and financial qualification criteria. The ratings also take into account healthy order book size consisting of contracts from reputed clientele like GIPCL (Gujarat Industries Power Co. Ltd.), KSK Mineral Resources, South West Mining Limited and GMDC (Gujarat Mineral Development Corporation) and moderate financial profile characterized by healthy profitability margins.

The ratings are however constrained by the limited scale of operations with single mineral concentration in lignite mining in the states of Rajasthan and Gujarat and the regulatory risks associated with mining operations. The ratings also take into account the vulnerability of profitability to diesel price variation in case of diesel usage being higher than the allowed levels and presence of LD (Liquidated Damage) clauses in all contracts making it critical to achieve the monthly mining quantities. The ratings are further constrained by the moderate gearing levels on account of significant capital expenditure required for every new project and the partnership nature of the firm whereby any substantial capital withdrawals from the capital account can adversely affect the capital structure.

### Company Profile

H.D. Enterprises (HDE) is a partnership concern established in December 1991 by Mr. Hansraj Patel and Mr. Harilal Devji Patel. HDE is an 'AA' class government registered contractor, and is engaged in overburden removal and lignite excavation contract works. The operations of the firm are focussed in Gujarat and Rajasthan. The firm is also engaged in generation of power and has installed a windmill having generation capacity of 0.75 MW at Surajbari, Kutch.

### Recent Results

During FY 2010, the firm reported an operating income of Rs. 143.61 Cr. and profit after tax of Rs. 14.81 Cr. (unaudited).

**September 2010**

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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