

June 13, 2024

HLL Infra Tech Services Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Cash Credit	25.65	25.65	[ICRA]BBB(Stable); reaffirmed
Short Term Non-Fund Based - Overdraft	-	9.50	[ICRA]A3+; assigned
Short Term Non-Fund Based	21.00	21.00	[ICRA]A3+; reaffirmed
Long Term/Short Term-Unallocated	-	0.50	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
Total	46.65	56.65	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmed ratings factor in ICRA's expectation that HLL Infra Tech Services Limited (HITES/the company) will continue to record healthy growth in the scale of operations and margins, supported by its healthy order book position, which translates to ~1.3 times FY2024 revenues (adjusted for the company's revenue share), providing revenue visibility in the near term. HITES is expected to witness revenue growth of ~8-10% in FY2025. The ratings draw comfort from HITES' status as the national procurement support agency (PSA) for the Ministry of Health and Family Welfare (MoHFW), which ensures a steady order inflow for healthcare projects from the Ministry and a diversified sales mix across different verticals. The ratings also consider HITES' healthy financial profile, characterised by low gearing and healthy coverage metrics.

ICRA notes that HITES and its parent HLL Lifecare Limited (HLL, rated [ICRA]A-(Stable)/[ICRA]A2+) have close business linkages, and HITES is of strategic importance to its parent. Therefore, ICRA expects HLL to be willing to extend timely financial support to HITES, as and when needed.

The ratings remain constrained by the high competitive intensity in infrastructure development, facility management and biomedical engineering services, where the company encounters competition with entities such as NBCC (India) Limited, Engineering Projects (India) Limited, Engineers India Limited, HSCC (India) Limited, etc. The company's moderate scale of operations and high receivables days also constrain the ratings.

The stable outlook reflects ICRA's expectation of sustained healthy growth in earnings and comfortable debt protection metrics on the back of a healthy order book.

Key rating drivers and their description

Credit strengths

Status of the company as the PSA for MoHFW provides preference in award of Central and State Government contracts – HITES was designated as the national PSA for MoHFW, allowing the company to secure several contracts from the Government of India (GoI) on a nomination basis. Additionally, the company also gets preference in tenders floated by MoHFW due to its status as an executing agency for the ministry. At present, over 90% of the company's business is from the Central and various State Governments.

Healthy order book position and diversified sales mix across several verticals – HITES operates across four verticals: health infrastructure services (ID), medical device procurement services (PCD), facility management services (FMS) and biomedical engineering services (BMES). The company's revenues are well-diversified across different business verticals. Further, the company's healthy order book (adjusted for the company's revenue share), translates to ~1.3 times FY2024e revenues and provides revenue visibility in the near to medium term.

Healthy financial profile – HITES’ operating margins have improved to 11.6% in FY2024 (provisional) from 8.8% in FY2023, with improved commission income from the PCD and ID divisions, better absorption of fixed overheads and increased scale. Margins are expected to remain healthy in FY2025, owing to the company’s healthy order book, especially in the ID and PCD divisions. HITES’ overall financial profile is healthy, with zero debt and healthy cash accruals, which is expected to remain healthy going forward.

Credit challenges

High competitive intensity in the health infrastructure services, facility management services and biomedical engineering services divisions – In the ID segment, the company encounters competition from public sector companies such as NBCC (India) Limited, Engineering Projects (India) Limited, Engineers India Limited, HSCC (India) Limited etc. In FMS and BMES segments the company faces competition from public as well as private players such as Kirloskar Group. However, in the PCD division, the company is the market leader for the procurement for Central Government and State Government-backed institutions, supported by its status as the NPS agency.

Moderate scale of operations and working capital cycle characterized by high receivables days – The company’s scale of operations remains moderate, with the expected revenue of Rs. 440-470 crore in FY2025. The receivables days are generally high at over 200 days as payments from government customers are typically delayed. However, the company has consecutive contracts with its vendors/suppliers, reducing its working capital requirements to a large extent. As working capital requirements are largely funded by creditors, the company’s TOL/TNW has remained high. Nevertheless, most of the receivables are from Government-owned entities, mitigating the counter-party risk to an extent.

Liquidity position: Adequate

HITES’ liquidity position is adequate as indicated by its cash balance of ~Rs. 93 crore and buffer in working capital limits of ~Rs. 26.7 crore as on March 31, 2024. Against this, the company has minimal capex and nil debt repayment obligations. Liquidity is adequate to meet operational requirements.

Rating sensitivities

Positive factors – Improvement in HLL’s credit profile and/or substantial improvement in the scale of operations and cash accruals of HITES on a sustained basis.

Negative factors – Deterioration in HLL’s credit profile, weakening of linkages with HLL, significant deterioration in the earnings or debt protection metrics of HITES on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: HLL Lifecare Limited: The ratings assigned to HITES factors in the likelihood of support from its parent.
Consolidation/Standalone	The ratings are based on the company’s standalone financial profile

About the company

HITES was incorporated in April 2014, as a wholly-owned subsidiary of HLL Lifecare Limited. The company provides services in design, engineering and execution of construction projects. HITES provides procurement and consultancy services to the Government of India, state governments and other institutions for procuring a range of healthcare and hospital products, equipment and devices. It is designated as a National Procurement Support Agency (NPSA).

Key financial indicators (audited)

HITES	FY2023	FY2024*
Operating income	359.2	428.8
PAT	25.0	39.4
OPBDIT/OI	8.8%	11.6%
PAT/OI	7.0%	9.2%
Total outside liabilities/Tangible net worth (times)	5.4	3.9
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	22.6	341.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *Provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2024 (Rs. crore)	Current Rating (FY2025)		Chronology of Rating History for the past 3 years		
				Date & Rating		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				June 13, 2024	April 26, 2024	-	Jan 23, 2023	Jan 21, 2022
1 Cash Credit	Long-term	25.65	0.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	[ICRA]A-(CE) (Stable) withdrawn; [ICRA]BBB(Stable) assigned simultaneously	[ICRA]A-(CE) (Stable)
2 Non-Fund Based	Short-term	21.00	-	[ICRA]A3+	[ICRA]A3+	-	[ICRA]A2+(CE) withdrawn; [ICRA]A3+ assigned simultaneously	[ICRA]A2+(CE)
3 Overdraft	Short-term	9.50	-	[ICRA]A3+	-	-	-	-
4 Unallocated	Long-term/Short-term	0.50	-	[ICRA]BBB (Stable) / [ICRA]A3+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term Fund-based – Cash Credit	Simple
Short Term Non-Fund based	Very simple
Short Term Fund-based – Overdraft	Very Simple
Long Term/Short Term-Unallocated	Not Applicable

The complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	NA	-	25.65	[ICRA]BBB(Stable)
NA	Short Term – Non- Fund Based	-	NA	-	21.00	[ICRA]A3+
NA	Overdraft	-	NA	-	9.50	[ICRA]A3+
NA	Unallocated	-	NA	-	0.50	[ICRA]BBB(Stable)/[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

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