

H.G. Infra Engineering Private Limited

| Instrument | Amount Rated | Rating Action |
|-----------------------------|--|--|
| Cash Credit Limit | Rs 69.50 crore (enhanced from Rs 49.50 crore) | [ICRA]A- reaffirmed; Outlook revised from stable to Positive |
| Cash Credit Limit(Proposed) | Rs 22.50 crore (enhanced from Rs 18.50) | [ICRA]A- reaffirmed; Outlook revised from stable to Positive |
| Bank Guarantee | Rs 275.50 crore (enhanced from Rs 240.50 crore) | [ICRA]A2+; reaffirmed |
| Proposed Bank Guarantee | Rs 190.00 crore (enhanced from Rs 49.00 crore) | [ICRA]A2+; reaffirmed |

The rating of [ICRA]A- (pronounced ICRA A minus) has been re-affirmed on the Rs 92.00 crore¹(enhanced from Rs 68.00 crore) long-term fund based limits of HGIEPL². The outlook on the long-term rating has been revised from 'Stable' to 'Positive'. A rating of [ICRA] A2+ (pronounced ICRA A two plus) has also been re-affirmed to the Rs. 275.50 crore(enhanced from Rs 240.50 crore) bank guarantee limits and the Rs. 190.00 crore(enhanced from Rs 49.00 crore) proposed non-fund based unallocated limits of HGIEPL.

The revision in outlook to 'Positive' reflects the improvement in the financial risk profile of the company over the years, on account of the healthy internal accruals as reflected in the sustained improvement in its returns, capital structure and coverage indicators. The outstanding ratings continues to reflect the promoters' long track record of over four decades in the civil construction business, coupled with the company's status of "AA" class contractor with the State Government of Rajasthan and "SS" registration with Military Engineers Services. ICRA notes its diversified geographical presence across Rajasthan, Uttar Pradesh, Haryana and Maharashtra. The ratings also take into account the expected build-up in revenues, going forward, on the back of a healthy order book position of ~Rs. 1997.28 crore (~2.76 times FY2016 operating income) as on 30th September 2016, and several other orders under bid evaluation process. The ratings are also supported by the diversified client portfolio consisting mainly of Government and semi-Government agencies such as the NHAI, the RSRDC, Roads and Building (R&B) divisions, the municipal corporations of various cities, and irrigation departments, among others.

The ratings are, however, constrained by the high competitive intensity in the civil construction space. ICRA notes the project order based nature of the business, with the risk of reduction in workflow in case of any prolonged down-cycle in the road construction sector, which remains the major revenue contributor. ICRA also takes into account the vulnerability of its profitability to fluctuations in input prices in some projects that do not have the price escalation clause; and the criticality of timely completion and delivery as per contract terms in order to avoid LD claims. ICRA further notes the high off-balance sheet exposure (bank guarantees of over Rs. 253.63 crore as of September 2016) due to submission of bid-bond, performance and other guarantees; high reliance on mobilisation advances and security deposits from sub-contractors to fund the working capital requirements and any slowdown in such receipts may increase HGIEPL's reliance on bank borrowings.

Company Profile

H.G. Infra Engineering Private Limited (HGIEPL) was incorporated in 2003 by Mr. Hodal Singh Choudhary, Mr. Girish Pal Choudhary, Mr. Vijendra Singh Choudhary and Mr. Harendra Singh Choudhary in Jodhpur, Rajasthan. HGIEPL is primarily engaged in infrastructure development and construction of roads and highways mainly across Rajasthan, Uttar Pradesh, Haryana and Maharashtra. Over the past few years, the company has also diversified into the construction of water distribution projects.

Recent Results

For the year ended 31st March 2016, company has reported an operating income of Rs. 722.6 crore with profit after tax of Rs.30.18 crore as per audited financial results.

December 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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