



## H.G. Infra Engineering Private Limited

Instrument	Amount Rated	Rating Action
Cash Credit Limits	Rs. 49.50 crore	[ICRA]A- (Stable) assigned
Proposed - Cash Credit Limits	Rs 18.50 crore	[ICRA]A- (Stable) assigned
Bank Guarantees	Rs. 240.50 crore	[ICRA]A2+ assigned
Proposed - Bank Guarantees	Rs 49.00 crore	[ICRA]A2+ assigned

ICRA has assigned the long term rating of [ICRA]A- (pronounced ICRA A minus) to the Rs 49.50 crore<sup>\*</sup> cash credit limits and Rs. 18.50 crore proposed facilities of H.G. Infra Engineering Private Limited (HGIEPL)<sup>†</sup>. The outlook on the long term rating is 'Stable'. ICRA has also assigned the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) to the Rs. 240.50 crore non-fund based facilities and Rs. 49.00 crore of proposed limits of HGIEPL.

The assigned ratings take into account 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 Government of Rajasthan and "SS" registration with Military Engineers Services; and its diversified geographical presence across Rajasthan, Uttar Pradesh, Haryana and Maharashtra. These factors have enabled the company to achieve significant growth in scale of operations over the last few years except FY 2015 where company witnessed cancellation of high value order. The ratings also take into account the expected build-up in the revenues going forward on the back of a healthy order book position of Rs. ~1562 crore (~4.41 times FY15 operating income), and several other orders under bid evaluation process. The ratings are also supported by the reputed and diversified client portfolio consisting mainly of government and semi-government agencies such as National Highway Authority of India (NHAI), Roads and Building (R&B) divisions, Municipal Corporations of various cities, Irrigation departments, Rajasthan State Road development Corporation etc. ICRA also notes 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 capital structure and coverage indicators.

The ratings are, however, constrained by the high competitive intensity in the construction space; and the project order based nature of the business, with the risk of reduction in work flow in case of any prolonged down-cycle in the road construction sector which remains the major revenue contributor for the company. ICRA also takes into account the vulnerability of its profitability to fluctuations in input prices in some projects which 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. 201 crores as on June 2015) due to submission of bid-bond, performance and other guarantees; high reliance on mobilization 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. Vijendrasingh Choudhary and Mr. Harendrasingh Choudhary in Jodhpur (Rajasthan). HGIEPL is primarily engaged in infrastructure development and construction of roads and highways majorly across Rajasthan, Uttar Pradesh, Haryana and Maharashtra. Since past few years the company has also diversified into construction of water distribution projects.

<sup>\*</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.



### Recent Results

During FY15, HGIEPL reported an operating income of Rs 358.25 crore and profit after tax of Rs. 9.23 crore as against an operating income of Rs. 439.98 crore and profit after tax of Rs. 17.17 crore during FY14. For the period April 2015 to September 2015 the company has reported operating income of Rs. 328.89 crore and profit after tax of Rs. 17.63 crore. (as per the provisional financials)

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