



Press Release

H S Mehta Infra Private Limited

February 05, 2024

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	15.00	IVR BB+/Stable (IVR Double B plus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities – Overdraft	50.00	IVR BB+/Stable (IVR Double B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	75.00	IVR A4+ (IVR A Four plus)	Assigned	Simple
Total	140.00 (Rupees One hundred and forty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of H S Mehta Infra Private Limited (HSMIPL) derive strength from its healthy order book, reputed client base, improving profitability long track record and experienced promoters. The rating is however constrained on account of profitability vulnerable to volatile raw material prices, geographical and sectoral concentration risk.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue and profitability leading to improvement in cash accrual and debt protection metrics.
- Improvement in the capital structure and effective working capital management leading to improvement in liquidity.

Downward Factors



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- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Moderation in the liquidity position with elongation in its operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Healthy order book reflecting satisfactory revenue visibility**

HSMIPL order book stood at around Rs. 350.90 crore as on December 31, 2023, i.e., 1.83x of its FY23 total operating income (i.e., Rs.191.34 crore) which provides adequate revenue visibility in the near to medium term. HSMIPLs ability to scale up resources both in terms of machinery and manpower for successful execution of the current healthy order book in due time will remain be key factor going forward.

- **Steady improvement in profit margins**

HSMIPL has witnessed a y-o-y decline of ~12.57% in its revenue from Rs. 218.84 crore in FY22 to Rs. 191.34 crore in FY23. Although, the EBITDA margin of the company has improved from 10.07% in FY22 to 13.71% in FY23 majorly on account of lower raw material cost. PAT margins have improved from 2.35% in FY22 to 3.92% in FY23.

- **Reputed client profile, leading to low counterparty risk**

HSMIPL undertakes work contracts primarily for Government departments. Over the years, the company has executed several civil construction projects for various government departments and entities. Since the client base of the company is majorly government departments, the counterparty risk remains low.

- **Long track record and experienced promoters:**

The promoters of HSMIPL have long experience in executing projects in civil infrastructure, which has enabled strong relations with customers and suppliers thus strengthening the operational risk profile of the company.

Key Rating Weaknesses

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices.



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However, presences of escalation clause in most of the contracts imparts comfort to an extent.

- **High geographical and sectoral concentration risks**

The major portion of the HSMIPL's revenues and the current order book are concentrated in the state of Rajasthan and Bihar. Though the company is executing orders in other states as well, the proportion of the same in the revenue and order book remains low, exposing HSMIPL to high geographical concentration risk. Moreover, the HSMIPL also remains exposed to high sectoral concentration risk with operations primarily limited to construction of road.

- **Competitive nature of business**

The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. Business certainty is dependent on the ability to successful bid for the tenders as entire business is tender based.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity profile of the HSMIPL is expected to remain stretched on account of slower collection of receivables from government departments resulting in longer operating cycle days which stood at 229 days in FY23. Further, the average working capital limit of the company was ~98% during the past 12 months ended on December, 2023 imparting no liquidity buffer. The average non-fund-based limit utilization stood at ~91% during the last 12 months ending October 2023, imparting no headroom to bid for new tenders.

About the Company

HSMIPL was initially formed as a proprietorship concern in 1983 by Mr. Hanuman Singh Mehta, later in 2013 it was reconstituted as a private limited company. HSMIPL is an 'AA' class government-approved contractor executing projects in civil infrastructure development for construction of Highways, Dams & irrigation canal with specialization in concrete lining by



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pavers, Buildings, Bridges, Telecom OFC Cable Laying, Railway works, Sewerage & Laying of Petroleum Pipeline Specially with Trenchless Technique, Irrigation (Canals & Dams) etc.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	218.84	191.34
EBITDA	22.03	26.24
PAT	5.16	7.54
Total Debt	112.99	116.73
Tangible Net worth	44.40	51.98
EBITDA Margin (%)	10.07	13.71
PAT Margin (%)	2.35	3.92
Overall Gearing Ratio (times)	2.54	2.25

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities – Term Loan	Long Term	15.00	IVR BB+/Stable	–	–	–
2.	Long Term Bank Facilities – Overdraft	Long Term	50.00	IVR BB+/Stable	–	–	–
3.	Short Term Bank Facilities – Bank Guarantee	Short Term	75.00	IVR A4+	–	–	–

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	–	–	–	15.00	IVR BB+/Stable
Long Term Bank Facilities – Overdraft	–	–	–	50.00	IVR BB+/Stable
Short Term Bank Facilities – Bank Guarantee	–	–	–	75.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-HSMehta-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.