

Hitech Competent Builders Private Limited

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable; (Triple B Minus; Outlook: Stable)
Long Term / Short Term Bank Facilities	53.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus ; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable / CARE A3; (Triple B Minus ; Outlook: Stable / A Three)
Total Bank Facilities	60.00 (₹ Sixty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Limited (CARE), vide its press release dated May 24, 2022, had placed the ratings assigned to the bank facilities of Hitech Competent Builders Private Limited (HCBPL) under 'Issuer not Cooperating' category to 'CARE BBB-; Stable/ CARE A3; ISSUER NOT COOPERATING*' as the company had not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. HCBPL continues to be non-cooperative despite repeated requests for payment of surveillance fees through e-mails and phone calls. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on HCBPL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings of RHPL is pursuant to the SEBI circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. In this circular SEBI has mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Detailed description of the key rating drivers

At the time of last rating on May 24, 2022 the following were the rating strengths and weaknesses

Key Rating Strengths

Experienced promoters with an established track record in execution of civil construction contracts

Mr. Mohan Gupta, key promoter, has an experience of more than two decades in the civil construction industry and looks after the overall affairs of the company. He is ably supported by his brothers namely Mr. Sunil Gupta who looks after the finance function and Mr. Vinay Gupta who is at the helm of project execution. Both the directors have extensive experience of more than two decades in the civil construction industry. Further, Mr. Krishna Pal Singh has around 24 years of experience in this industry and looks after the technical aspects of the company like tendering, billing, quality etc. Moreover, directors are supported by a team of managerial personnel and technical team having relevant experience in their respective fields.

Growth in its order book with low geographical concentration risk

As on December 13, 2021, HCBPL had a healthy order book of Rs.730 crore, which is around 3.59 times of total operating income (TOI) for FY21 (refers to the period April 01 to March 31) reflecting good revenue visibility in the medium term. Since the last review (considered order book as on August 31, 2020), HCBPL has bagged 11 new contracts aggregating to Rs.547 crore. Due to established relationship and demonstration of strong project execution ability, HCBPL has been awarded multiple projects on ongoing basis by reputed clientele in the private sector. As on December 13, 2021, around 29% of HCBPL's order

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications; *Issuer did not co-operate, based on best available information

book was from various semi government and government authorities (72% at the time of initial rating) while rest 84% is from private clientele. This diversification has resulted in low counterparty credit risk for the company. Further, the order book of the company is geographically diversified which reduces the risk arising from any policy or geo-political changes in a particular region. However, there is absence of in-built price variation clause in few of the major contracts, which increases the risk arising out of adverse movement in input prices to a large extent.

Moderate capital structure and debt coverage indicators

HCBPL's overall gearing deteriorated marginally to 0.47 times as on March 31, 2021 (0.26 times as on March 31, 2020) on account of increase in total debt due to debt-fund acquisition of equipment, GECL loan and mobilisation advances (interest-free). Apart from increase in debt, dip in TOI and profitability at absolute level resulted in increase in total debt to GCA to 2.33 times during FY21 as compared to 0.87 times as on March 31, 2020. Interest coverage ratio, however, remained stable at 10.04 times during FY21 (11.73 times during FY20).

Key Rating Weaknesses

Moderate scale of operations and profitability

During FY21, HCBPL reported TOI of Rs.203 crore (Rs.268 crore in FY20) on account of lockdown restrictions during Q1FY21 (refers to the period April 01 to June 30) and delay in timely receipt of prerequisite clearances for few orders from the project principal. Execution pace picked up during H2FY21 (refers to the period April 01 to September 30) and a major part of execution and billing was reported in Q4FY21 (refers to the period January 01 to March 31). PBILDT and PAT margin remained stable at 8.84% (FY20:8.09%) and 4.35% (FY20:4.49%) respectively during FY21. GCA level decreased to Rs.11.96 crore in FY21 (Rs.15.47 crore in FY20) due to reduction in TOI.

Project execution was also hampered during April-May 2021 due to the second wave of COVID-19, but the company has resumed work at all its sites, as reflected by construction income of Rs.197 crore till November 2021.

Presence in a highly fragmented and competitive construction industry

HCBPL is a mid-sized player operating in an intensely competitive construction industry with presence of large number of contractors. Furthermore, with low counterparty credit risk, comparatively lower complexity level and a relatively stable payment track record of projects funded by government bodies, these projects are lucrative for all the contractors and hence are highly competitive.

Nevertheless, aggressive bidding by the company or delay in project progress due to unavailability of regulatory clearances may affect the credit profile of the contractor and exert pressure on the margins. However, HCBPL's long standing track record in the civil construction segment reduces the risk to a certain extent.

Increase in working capital intensity

Working capital intensity increased during FY21 and H1FY22, marked by elongation of gross current asset days to 205 days during FY21 from 148 days in FY20. While receivables in absolute value remained stable, continuous increase in inventory holding and reduction in creditors period resulted in negative cash flow from operations during FY21. Inventory level has further increased significantly as on September 30, 2021. Moreover, HCBPL had debtors outstanding for more than six months amounting to Rs.14.11 crore as on March 31, 2021 (Rs.17.71 crore as on March 31, 2020), which is around 17% of total receivables. Realisation of these dues going forward is crucial from the credit perspective.

Liquidity: Adequate

HCBPL's fixed debt repayment obligation remains low at around Rs.4-5 crore as against envisaged cash accruals of Rs.20-30 crore in FY22-24. Moreover, HCBPL has modest fund-based limits of Rs.9 crore in comparison to its scale of operations and hence its average utilisation (of maximum outstanding) remained high at 93% during trailing 12 months ending November 2021 and required availing adhoc limits during H1FY22. Utilisation of non-fund-based limits also remained high at 95% during the same period. To shore up incremental working capital requirements, HCBPL has availed enhancement in bank facilities in January 2022. HCBPL had free cash and bank balance of Rs.0.16 crore (FY20 end: Rs.0.09 crore) apart from lien marked fixed deposit of Rs.13.01 crore (PY end: Rs.10.00 crore). The company's current ratio stood moderate at 1.46 times as on 31st March 2021.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

About the Company

Incorporated in 2004, Bhiwadi-based HCBPL is promoted by Mr Mohan Gupta along with his family members. The company is ISO 9001:2015 certified with accreditation from JAS (Joint Accreditation System) and caters to diverse range of infrastructure projects like construction of factory buildings, processing plants, residential quarters, commercial complex, water supply & electrical engineering works as well as other allied services for private clients as well as various semi-government and government authorities across India.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2022 (A)	September 30, 2022 (Prov.)
Total operating income	202.90	NA	NA
PBILDT	17.93	NA	NA
PAT	8.83	NA	NA
Overall gearing (times)	0.47	NA	NA
Interest coverage (times)	10.04	NA	NA

A: Audited; Prov: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit		-	-	-	2.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	51.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

* Issuer did not co-operate, based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
9	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	51.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING * (24-May-22)	1)CARE BBB-; Stable / CARE A3 (04-Feb-22)	1)CARE BBB-; Stable / CARE A3 (30-Nov-20)	-
2	Fund-based - LT-Cash Credit	LT	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable; ISSUER NOT COOPERATING * (24-May-22)	1)CARE BBB-; Stable (04-Feb-22)	1)CARE BBB-; Stable (30-Nov-20)	-
3	Fund-based - LT/ ST-Cash Credit	LT/ST *	2.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING *	1)CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING * (24-May-22)	1)CARE BBB-; Stable / CARE A3 (04-Feb-22)	1)CARE BBB-; Stable / CARE A3 (30-Nov-20)	-

* Long Term / Short Term, *Issuer did not co-operate; based on best available information.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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