Maa Harsiddhi Infra Developers Private Limited

March 11, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	14.70	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Upgraded and removed from Issuer Not Cooperating	Simple
Short Term Bank Facility	19.00	IVR A4+ (IVR Single A Four Plus)	Upgraded and removed from Issuer Not Cooperating	Simple
Total	**33.70 (INR Thirty three crore and seventy lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings has removed the ratings assigned to the bank facilities Maa Harsiddhi Infra Developers Private Limited (MHIDPL) from Issuer Not Cooperating category based on adequate information received from the company to review its ratings. The upgrade in the ratings continue to derive comfort from its experienced promoter and its reputed clientele with low counter party risk. Further, the ratings also consider steady business performance in FY23 with marginal moderation in profitability, comfortable capital structure with moderate debt protection metrics along with satisfactory order book of the company giving visibility to revenue in the medium term. However, these rating strengths remain constrained by its exposure to geographical concentration risk, tender driven nature of operations in highly fragmented & competitive construction sector, working capital intensive nature of business coupled with vulnerability in delay of receiving payments from government departments leading to pressure on liquidity.

Key Rating Sensitivities:

Upward factors

- Timely execution of pending orders, which will lead to a sustained growth in its top line along with cash accruals
- Sustenance of the capital structure with improvement in debt protection metrics marked by interest coverage of more than 3x

- Improvement in the collection period with improvement in liquidity and reduction in average cash credit utilisation

Downward Factors

- Moderation in operating income and/or profitability and cash accrual impacting the debt protection metrics on a sustained basis.
- Moderation in the capital structure with overall gearing above 1.0x and /or deterioration in debt protection metrics
- Further elongation in average collection period with deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter**

Mr. K.B. Ella Rao is an electrical engineer with an experience of 22 years as EPC Contracts for electrical works with various state & central government bodies and other different agencies. MHIDPL was incorporated in 2010 and specializes in industrial electrical installation or sub-station in High tension and Low-tension capacity, for state DISCOMS and private sector clients. The promoters bring in own funds to support the operations of the business further their long-term relations with the creditors also benefits the company to a large extent.

- **Reputed clientele with low counter party risk**

Over the years, MHIDPL has undertaken turnkey construction EPC projects for electrification contracts under various government schemes like Rajiv Gandhi Grameen Vidyutikaran Yojana, Deen Dayal Upadhyaya Gram Jyoti Yojana, and Revamped Distribution Sector Scheme for various government departments from respective state discom of Chhattisgarh, Tripura, Jharkhand etc. The majority of customers being government departments imparts comfort with low counterparty risk though timely receipt of bill payments from government agencies is dependent on their timely receipt of sanctioned funds from higher authorities.

- **Steady business performance in FY23 with marginal moderation in profitability**

After witnessing gradual moderation in top line over the past couple of years affected by the covid 19 pandemic coupled with delayed revenue realization from few major clients, the total operating income of company has registered a y-o-y growth of 8.31% as the topline has improved and stood at Rs.34.29 crore in FY23 against Rs.31.43 crore of FY22 mainly due to release of some bills for which work certification was pending in March 2022. The EBITDA margin though moderated to 10.39% in FY23 against 12.08% in FY22 continued to remain satisfactory. The PAT margin though slightly moderated, remained satisfactory at 3.86% in FY23. Gross cash accruals of MHIDPL have also gone down to Rs.1.42 crore in FY23 from Rs.1.47 crore in FY23 though it was sufficient to meet its low debt repayment obligation. During 9FY24, MHIDPL has managed to churn out revenue of ~Rs.21 crore backed by better execution of it pending workorders.

- **Satisfactory order book giving visibility to revenue in the medium term**

MHIDPL's unexecuted orderbook stood at Rs.121.66 crore as on 31.01.2024 and it is entirely from government entities. Of the unexecuted orderbook, management is expecting to generate revenue of ~Rs.26.49 crore in the last two months of FY24. Further, the rest of the outstanding work order of Rs 95.17 is expected to be completed by coming 12-18 months provides adequate revenue visibility in the near to medium term. However, the company's ability to scale up resources for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

- **Comfortable capital structure with moderate debt coverage indicators**

The capital structure of the company continues to remain comfortable marked by its debt-equity ratio and overall gearing ratio at 0.08x and 0.36x respectively as on March 31,2023 as compared to 0.15x and 0.58x respectively as on March 31,2022 on account of lower utilisation of working capital borrowings supported by timely repayment of long-term debt and accretion of profit to reserve. Total indebtedness marked by TOL/TNW also stood comfortable at 0.99x as on March 31, 2023. Notwithstanding the moderation in absolute EBITDA, backed by lower interest cost in FY23, debt protection metrics marked by the interest coverage ratio has improved and remains comfortable at 2.07x against 1.76x in FY22. Total debt to EBITDA and Total debt to GCA both improved yet remained stretched at 3.18x and 7.95 years respectively in FY23 (4.66x and 12.08 years respectively in FY22).

Key Rating Weaknesses:

- **Exposure to geographical concentration risk**

The company is exposed to geographical concentration risk as most of its order book is concentrated in the state of Chhattisgarh. However, to reduce the geographical concentration risk the company is exploring for opportunities in other states and in road projects sector.

- **Tender driven nature of operations in a highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders and the company has low bargaining power in terms of pricing and credit terms as most of its clients are government companies. The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities.

- **Working capital intensive nature of business coupled with vulnerability in delay of receiving payments from government departments**

Beside delay in debtors' realization, given the nature of the industry in which the company operates, a major portion of the working capital is blocked with the DISCOMs as retention money which released in stages with the payment period starting after 60 days of submitting the bills for supplies. Despite the improvement in average collection period from 419 days in FY22 to 269 days in FY23, the operating working capital cycle of the company elongated to 240 days in FY23 from 233 days in FY22. To support the working capital requirements of the company the company also stretch its creditors. However, in FY23 the average creditors payment period has reduced to 140 days against 301 days in FY22. However, ~30% of the debtors i.e. retention money portion is non-current in nature and realized mostly after a year or so.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning Rating Outlook

Policy on Default Recognition

Criteria on Complexity

Liquidity: Adequate

The liquidity of the company is expected to remain adequate given its low debt repayment obligations on the back of its conservative capital structure. However, the working capital position of the company is weak due to delayed collection from government departments.

Further, the non-fund-based limits of the company are also remained almost fully utilized. Moreover, the average of maximum utilisation of its fund-based bank limits remained high at ~85-90% during the past 10 months ended January 2024 indicating a limited liquidity buffer.

About the Company

Maa Harsiddhi Infra Developers Pvt Ltd (MHIDPL) was first established in 2002 as a proprietorship and later reconstituted in 2010 as a private limited company. MHIDPL 5 specializes in industrial electrical installation or sub-station in High tension and Low-tension capacity, for state DISCOMS, in projects involving electrification in rural and urban areas, reduction of AT&C losses, Feeder Renovation, Feeder Segregation, installing High Voltage Distribution System "HVDS", Substations. It also undertakes and has an expertise in Renovation /Augmentation of existing/New distribution system involving a thorough review of design and re-engineering and thereafter, 5 adopting/implementing the state-of-the-art technologies and best practices for AT & C losses reduction.

Financials Standalone: Maa Harsiddhi Infra Developers Private Limited

(Rs crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	31.43	34.29
EBITDA	3.80	3.56
PAT	1.23	1.32
Total Debt	17.70	11.31
Tangible Net worth	30.41	31.74
EBITDA Margin (%)	12.08	10.39
PAT Margin (%)	3.88	3.86
Overall Gearing Ratio (x)	0.58	0.36
Interest Coverage Ratio (x)	1.76	2.07

***** Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release dated September 25, 2023, had continued the rating under issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-4 (Aug 21, 2023)	Date(s) & Rating(s) assigned in 2022-23 (June 07, 2022)	Date(s) & Rating(s) assigned in in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	14.70	IVR BB+; Stable	IVR BB Negative, INC	IVR BB+; Stable	-	IVR BBB-; Stable
2.	Bank Guarantee/LC	Short Term	19.00	IVR A4+	IVR BB Negative, INC/A4 INC	IVR BB+; Stable/ IVR A4+	-	IVR BBB-; Stable, IVR A3
3.	Proposed	LT/ST	-	-	IVR BB Negative, INC/A4 INC	IVR BB+ Stable/ IVR A4+	-	IVR BBB-; Stable, IVR A3

We have withdrawn all bank facilities of Yes bank rated earlier based on No due certificate received from the lender bank.

Name and Contact Details of the Rating Analyst:

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	14.70	IVR BB+; Stable
Short Term Non Fund Based Limits – Bank Guarantee	-	-	-	19.00	IVR A4+

Annexure 2: Facility wise lender details: https://www.infomerics.com/admin/prfiles/LEN-Maa-Harsiddhi-11032024.pdf

Annexure 3: List of companies considered for consolidated analysis: Not applicable

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.