



Press Release

Maa Harsiddhi Infra Developers Private Limited

March 9, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	13.70	IVR BBB- ; Stable (Triple B Minus; Outlook: Stable)	Re-affirmed
Long Term/ Short Term Bank Facilities	61.30	IVR BBB- ; Stable / IVR A3 (Triple B Minus ; Outlook: Stable / IVR A Three)	Assigned
Total	75.00 (Seventy five crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating assigned to the long term bank facilities bank facilities and assignment of rating to the long term/short term bank facilities of Maa Harsiddhi Infra Developers Private Limited (MHIDPL) continues to derives strength from its experienced promoters and regular infusion of equity by them, reputed clientele, order book reflecting satisfactory medium-term revenue visibility and comfortable capital structure with adequate debt protection metrics. However, these rating strengths are constrained due to its modest scale of operation with geographical concentration risk, tender driven nature of operations in a highly fragmented & competitive construction sector, working capital intensive nature of business coupled with vulnerability to delay in receiving payments from the government agencies.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue with improvement in operating margin above 9%
- Improvement in the capital structure with improvement in TOL/TNW to below 2x with improvement in debt protection metrics
- Improvement in the collection period with improvement in liquidity and reduction in average cash credit utilization

Downward Rating Factor

- Moderation in operating margin below and/or cash accrual or deterioration in operating margin to below 7%



Press Release

- 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. MHIDPL has completed projects worth Rs.200 crores. 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.

Regular infusion of equity by the promoters

The promoters have infused equity amounting to Rs.6.68 crore in FY20 and Rs.3.15 crore in FY19 to support the business. Further, during H1FY20 the promoters have infused unsecured loans amounting to Rs.3.21 crore and undertake to convert the same into equity within March 31,2021.

Reputed clientele

MHIDPL has undertaken turnkey construction EPC projects for electrification contracts from various state DISCOMS. Chhattisgarh State Power Distribution Co. Ltd. (CSPDCL, CG), Tripura State Electricity Co. Ltd., West Tripura (TSECL), Jharkhand Bijli Vitran Nigam Ltd, Ranchi, Jharkhand (JBVNL). The clients being government entities carries low counterparty risk.

Order book reflecting satisfactory medium-term revenue visibility with recognised state DISCOMS

The company has an unexecuted work order of Rs.124.46 crore which is to be completed within next two years indicating a healthy near to medium term revenue visibility.



Press Release

Comfortable capital structure with adequate debt protection metrics

The capital structure of the company remained comfortable over the years. Further, Total indebtedness of the company remained comfortable marked by TOL/ANW at 2.47x as on March 31, 2020. Further, the overall debt protection metrics also remained comfortable with the interest coverage ratio at 3.01x as on March 31, 2020. The promoters are also planning to infuse more equity in the business by March 31, 2021. Infomerics expects that the capital structure will continue to remain comfortable in the near term. Moreover, minimal debt repayment obligations in near term with no debt funded capex plan imparts further comfort.

Key Rating Weaknesses

Modest scale of operation with geographical concentration risk

The scale of operation of the company remained modest over the years despite steady y-o-y growth of ~43% in FY20 from Rs.50.86 crore in FY19 to Rs.73.06 crore. EBITDA and PAT of the company also grew from Rs.4.87 crore in FY19 to Rs.6.44 crore in FY20 and from Rs.1.75 crore in FY19 to Rs.2.92 crore respectively in FY20, thus resulting in marginal improvement in operating and net margins y-o-y. The company earned a revenue of ~Rs.62 crore by December, 2020. Small scale of operation restricts the financial risk profile of the company to an extent. Further, the company is exposed to geographical concentration risk as most of its order book is concentrated in the state of Tripura and Jharkhand. However, to reduce the geographical concentration risk the company is exploring for opportunities in other states and applied for couple of tenders in Assam.

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 as entire business is tender based. 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 agencies

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 is released in stages with the payment period starting after 60 days of submitting the bills for supplies. Hence the working capital



Press Release

cycle of the company continues to remain elongated at 167 days with average collection period being at 254 days in FY20. To support the working capital requirements, the company also stretch its creditors. However, excluding the retention money from the debtors the average collection period stood at about 196 days and the operating cycle remained moderate at 109 days. Infomerics believes, company's operations will continue to remain working capital intensive going forward.

Liquidity - Adequate

The liquidity of the company is expected to remain adequate in the near term driven by its adequate gross cash accrual as against its minimal debt repayment obligations. The company has earned a gross cash accrual of Rs.3.09 crore in FY20 and expected to earn gross cash accruals in the range of Rs.4-6 crore during FY21-23 as against its debt repayment obligation of Rs.0.73 crore in FY21 and nil in FY22 and FY23. However, the liquidity of the company is constrained due to its elongated debtor's collection period and blockage of a large portion of working capital into retention money as per the terms of its contracts. Further, the average of maximum utilisation of its fund-based bank limits remained high at ~94% during the past 12 months ended in August, 2020 indicating a limited liquidity buffer. To manage its high working capital requirement, the company also stretch its creditors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

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 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,



Press Release

adopting/implementing the state-of-the-art technologies and best practices for AT & C losses reduction.

Financials: Standalone

(Rs. crore)

For the year ended*/ As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	50.86	73.06
EBIDTA	4.87	6.44
PAT	1.75	2.92
Total Debt	15.89	14.96
Adjusted Net worth	18.97	27.57
EBIDTA Margin (%)	9.57	8.81
PAT Margin (%)	3.42	3.98
Overall Gearing Ratio (x)	0.97	0.57

*as per Infomerics standards

Status of non-cooperation with previous CRA: Vide the last press release dated June 18, 2020 and November 29, 2019, Brickwork Ratings and CRISIL, respectively, have moved the rating to issuer non cooperating category due to non-submission of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2020-21)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating Dec. 31, 2020	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	LT	13.70	IVR BBB- ; Stable	IVR BBB- / Stable	-	-	-
2.	BG/LC	LT/ST	26.00	IVR BBB- ;Stable/ IVR A3	-	-	-	-
3.	Proposed	LT/ST	35.30	IVR BBB- ;Stable/ IVR A3	-	-	-	-

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.



Press Release

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	13.00	IVR BBB-;Stable
Long/Short Term Bank Facilities – BG/LC	-	-	-	26.00	IVR BBB- ; Stable/ IVR A3
Long/Short Term Bank Facilities – Proposed	-	-	-	35.30	IVR BBB- ; Stable/ IVR A3

Annexure 2: Facility wise lender details



Press Release

<https://www.infomerics.com/admin/prfiles/Lender-Maa-Harsiddhi-Infra-Developers.pdf>

