Maa Harsiddhi Infra Developers Private Limited

June 07, 2022

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	13.70	IVR BB+/Stable (IVR Double B plus with Stable Outlook)	Revised	Simple
Long term/ Short term Bank Facilities	61.30	IVR BB+/Stable, IVR A4+ (IVR Double B plus with Stable Outlook, IVR A Four Plus)	Revised	Simple
Total	**75.00 (Seventy-five Crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) takes into account deterioration in financial performance of the company marked by continuous moderation in its scale of operation in past two fiscals ended in FY22 (Provisional). However, the ratings continue to derive strength from its experienced promoter, infusion of equity by the promoters, reputed clientele and its comfortable capital structure. However, these rating strengths continues to remain constrained by its exposure to geographical concentration risk, tender driven nature of operations in highly fragmented & competitive construction sector, moderation in debt protection metrics, working capital intensive nature of business coupled with vulnerability in delay of receiving payments from government departments.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue with improvement in profitability
- 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 utilization

Downward Factors

- Moderation in scale of operation and/or moderation in operating margin below 7%
- 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 relation with the creditors also benefits the company to a large extent.

- **Infusion of equity by the promoters**

  The promoters have infused equity amounting to Rs.0.04 crore as on March 31, 2021 and Rs.0.48 crore as on March 31, 2020 to support the business. Further, in FY22(Prov.) promoters/directors has forgo directors' remuneration to support the business operation.

- **Reputed clientele**

  MHIDPL has undertaken turnkey construction EPC projects for electrification contracts from respective state discom e.g. 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.

- **Comfortable capital structure**

  The capital structure of the company continues to remain comfortable marked by its debt-equity ratio and overall gearing ratio at 0.16x and 0.59x respectively as on March 31,2022 (Prov.) as compared to 0.23x and 0.71x respectively as on March 31,2021 and Rs.0.08x and 0.57x respectively as on March 31, 2020 on account of timely repayment of long term debt and accretion of profit to reserve.

Key Rating Weaknesses

- **Decline in scale of operation**

  The total operating income (TOI) of the company witnessed continuous moderation in FY21 and in FY22 and stood at ~Rs.30 crore in FY22 (Prov.). The moderation in FY21 was due to disruption in the operating spectrum due to nationwide lockdown amid Covid pandemic followed by issue of labour shortages thereafter. Further, in FY22, operations of the company were affected due to delays in processing of invoices and release of payments from two of its clients i.e. Jharkhand Bijli Vitran Nigam Limited (JBVNL) and Tripura State Electricity Corporation Limited (TSECL). The turnover booked in FY22, is mainly from release of money from pending bills attributable to work completed during FY21. The bills of the company remained blocked due to partial operation in the state government departments due to spread of second wave of Covid pandemic in the state of Tripura in H1FY22 which severely affected the topline of the company and its liquidity position. Driven by moderation in TOI, profit levels of the company were also moderated in FY21 and in FY22. Small scale of operation restricts the financial risk profile of the company to an extent.

- **Moderation in debt protection metrics**

  With moderation in profitability, debt protection metrics of the company also moderated marked by deterioration in interest coverage ratio and Total debt to EBITDA. However, the profit margins of the company witnessed improvement marked by the EBITDA margin at 12.78% and PAT margin at 4.06% in FY22 (Prov.). The improvement in the profit margins mainly due to release of some bills for which work certification was pending in March 2021 along with non-payment of directors' remuneration (which was Rs.2.40 crore in FY21).

- **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 Tripura and Jharkhand. Due to covid impact in these states the operations of the company were largely affected in FY21 and in FY22. 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 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 departments**
  The company faced issues in Tripura and in Jharkhand regarding collection of its dues owing to covid pandemic impact. Due to partial operations in the state government departments the bills of the company remained stuck which resulted in accumulation of debtors and rise in its working capital intensity in FY21 and in FY22. Accordingly, the outstanding debtors remained high as on the past two account closing dates. 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. Hence the operating working capital cycle of the company continues to remain high. To support the working capital requirements of the company the company also stretch its creditors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

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. Further, the average of maximum utilisation of its fund-based bank limits remained high at ~97% during the past 12 months ended in March,2022 indicating a limited liquidity buffer. To improve its liquidity the company is planning to take enhancement in its bank limits going forward.

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, 5 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	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	52.19	30.09
EBITDA	5.43	3.84
PAT	2.08	1.23
Total Debt	20.77	18.01
Tangible Net worth	29.18	30.53
EBITDA Margin (%)	10.41	12.78
PAT Margin (%)	3.95	4.06
Overall Gearing Ratio (x)	0.71	0.59

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: CRISIL has reviewed the ratings of bank facilities under "Issuer not cooperating" category vide PR dated April 25, 2022 on account of non-availability of information and non-cooperation from client.

Brickwork has reviewed the ratings of bank facilities under "Issuer not cooperating" category vide PR dated September 02, 2021, on account of non-availability of information and non-cooperation from client.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of /Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	13.70	IVR BB+/Stable	-	IVR BBB-/Stable (March 09, 2021)	-
2.	BG/LC	Long Term/ Short Term	26.00	IVR BB+/Stable IVR A4+	-	IVR BBB-/Stable; IVR A3 (March 09, 2021)	-
3.	Proposed	Long Term/ Short Term	35.30	IVR BB+/Stable IVR A4+	-	IVR BBB-/Stable; IVR A3 (March 09, 2021)	-

Name and Contact Details of the Rating Analyst:

Name: Poulami Ghosh	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: Poulami.ghosh@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	13.70	IVR BB+/Stable
BG/LC	-	-	-	26.00	IVR BB+/Stable/ IVR A4+
Proposed	-	-	-	35.30	IVR BB+/Stable/ 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/Lender-MHIDPL-07-06-22.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.