

Press Release
Hazoor Multi Projects Limited

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non-Convertible Preference Shares	50.00	Provisional ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of 'Provisional ACUITE BB' (read as Provisional ACUITE double B) on the Rs.50.00 Cr proposed Non-Convertible Preference Shares of Hazoor Multi Projects Limited (HMPL). The outlook is 'Stable'.

The rating on the Rs.50.00 Cr proposed Non-Convertible Preference Shares is provisional and the final rating is subject to receipt of pending documentation:

- Final documents post issue of Non-Convertible Preference Shares
- Other documents related to the issue

Rationale for rating assigned

The rating assigned HMPL takes into account the healthy albeit concentrated order book position and moderate financial risk profile. The limited track record of HMPL in executing EPC contracts and limited experience of the Management in executing EPC contracts acts as constraining factor for the rating. Timely execution of order book, scale of operations and improving working capital cycle will remain key rating sensitivities.

About the Company

Hazoor Multi Projects Limited (HMPL) incorporated in the year 1992 is a Mumbai based public limited company which got listed on Bombay Stock Exchange (BSE) in the year 2002, was initially engaged into the business of construction of residential projects, however in FY2021, the company changed its line of business and is now engaged into the business of infrastructural development and works as a sub-contractor in executing various national highway road projects awarded by government authorities such as Maharashtra State Road Development Corporation Ltd. (MSRDC) and National Highways Authority of India (NHAI). In October 2021, Mr. Pawan Mallawat acquired a 25.93 percent stake in HMPL in his own capacity and through his other company Keemtee Financial Services Limited. Since then Mr. Mallawat has been managing the day to day operations of the company. It has an unexecuted order book of Rs.324 Cr. as on January 31, 2022.

Analytical Approach:

Acuité has considered the standalone business and financial risk profiles of HMPL to arrive at this rating.

Key Rating Driver

Strengths

Moderate Financial Risk Profile

HMPL has a moderate financial risk profile marked by modest net worth of Rs.22.33 as on 31st March 2021 as against Rs.22.16 as on 31st March 2021. As on date the company does not

have any external debt as the operations of the company are at a nascent stage in the new line of business. However, going forward as the HMPL continues work on its unexecuted order book it will be further raising debt. Besides the Rs.50 Cr. preference share issue, HMPL will be raising debt for its working capital funding and long term funding for execution of larger projects. Significant addition of debt in the near term is expected to put pressure on its financial risk profile.

Going forward, its debt-equity ratio is therefore expected to be in the range of 0.50 – 2.00 times in FY2022 - FY2024. Interest coverage ratio is expected to be in the range of 5.00 – 2.00 times along with DSCR expected to be in the range of 4.00 – 2.00 times during the same period.

Acuité expects the company to maintain a modest financial risk profile despite plans of raising significant debt over the medium term on account of expected improvement in the company's operating performance.

Healthy albeit concentrated order book position

HMPL's unexecuted order book stood healthy at Rs. 324 Cr. as on January 31, 2022. These are orders of NHAI and MSRDC and are expected to be executed in the next two to three years. This provides healthy revenue visibility over the medium term. However the order book is concentrated in only two orders. Any delay in these orders will affect the company's operating performance. Going forward HMPL is further expecting an order of Rs.800 Cr. in the near term.

Acuite expects timely execution of these orders and scale up of operations will remain a key rating sensitivity.

Weaknesses

Limited track record of operations

HMPL was incorporated in the year 1992 and was initially engaged into the business of construction of residential projects, however in FY2021, the company changed its line of business and is now engaged into the business of infrastructural development and works as a sub-contractor in executing various national highway road projects. The company was earlier not generating revenue until FY2020. However, based on the new work order received for completion of balance work of Wakan - Pali Highway, the company therefore generated revenue of Rs.24 Cr in FY2021 and Rs.23 Cr as on 9M FY2022. Also the new promoters belong to project financing background and hold limited experience in executing construction contracts.

Working capital intensive nature of operations

The operations of the HMPL are highly working capital intensive as reflected by Gross Current Assets (GCA) days which stood at 300 in FY2021. GCA days are high primarily on account of elongated receivable period which stood at 193 days in FY2021, while its inventory days stood at 23 days for the same period.

Acuité believes HMPL's ability to improve its working capital cycle will be a key rating sensitivity and any further elongation in working capital cycle will impart a negative bias to the rating.

Tender based nature of operations and competitive industry

HMPL majorly provides road construction services to the State Government of Maharashtra. The revenue of the company is highly dependent on the number and value of tenders floated by the Government. Also, HMPL faces intense competition from several mid to big size players. Risk is more pronounced as tendering is based on minimum amount of bidding of contracts, resulting into thin margins.

Rating Sensitivity

- Timely execution of order without significant delays
- Further elongation in working capital cycle leading to deterioration in liquidity position

Material Covenants

None

Liquidity Position - Stretched

HMPL has just started the EPC contracting business in FY2021. It has limited track record of operations in that segment. It has generated net cash accrual (NCA) of Rs.0.34 Cr. in 9M FY2022 and Rs.0.43 Cr. in FY2021 against no repayment obligations for the same period. However, going forward the company is planning to raise significant debt. Over the medium term, the timely completion of orders is a key for HMPL to generate cash flows commensurate with the expected repayment obligations. Its operations are also working capital intensive with GCA of 300 days. HMPL's liquidity is expected to remain stretched on account of its low NCAs as it is in the nascent stage of operations and working capital intensive nature of operations.

Outlook

Acuité believes that the outlook on HMPL's rated facilities will remain stable over the medium term on account of its moderate financial risk profile and healthy revenue visibility on the basis of present order book. The outlook may be revised to 'Positive' in case of sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	24.07	0.00
PAT	Rs. Cr.	0.43	0.05
PAT Margin	(%)	1.78	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	2266.67	732.50

Status of Non-cooperation with previous CRA (If Applicable)

Not Applicable

Supplementary disclosures for Provisional Ratings

Risks associated with the provisional nature of the credit rating

1. Absence of any structured payment mechanism.
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

Rating that would have been assigned in absence of the pending steps/ documentation

The rating would be equated to the standalone rating of the entity: ACUITE BB / Stable

Timeline for conversion to Final Rating for a debt instrument proposed to be issued

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non-Convertible Preference Shares	Not Applicable	Not Applicable	Not Applicable	50.00	Provisional ACUITE BB Stable Assigned

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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