

Press Release

Highway Engineering Consultants

July 13, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.70.00 Cr
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BBB** (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+** (**read as ACUITE A three plus**) on the Rs.70.00 Cr bank facilities of Highway Engineering Consultants (HEC).

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuité's policy.

Bhopal based Highway Engineering Consultants is a partnership firm established in 2007 by partners Mr. Satya Narayan Malviya, Karuna Malviya, Tapsya Malviya. The firm is engaged in offering engineering consultancy services to the infrastructure sector such as Project Management consultancy, Feasibility studies, Construction super vision, Quality assurance.

About the Group

The Malviya Group (MG) consists of two companies i.e. L N Malviya Infraprojects Private Limited and Highway Engineering Consultants.

L N Malviya Infraprojects Private Limited was incorporated in 2010. The company promoted by Mr. Laxmi Narayan Malviya is engaged in offering engineering consultancy services to the infrastructure sector such as Project Management consultancy, Feasibility studies, Construction super vision, Quality assurance.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of L N Malviya Infraprojects Private Limited and Highway Engineering Consultants together referred as 'Malviya Group'. The consolidation is in view of the common management, operational and financial linkages between the entities. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management and established presence in the infrastructure consulting sector**

The promoter, Mr. Laxmi Malviya (Civil Engineer) has a professional experience of more than 15 years in consulting business. The group over a period of time has developed its execution capabilities across the entire value chain of infrastructure consulting. It has executed projects for various Government agencies such as NHAI (National Highway Authority India), MORTH (Ministry of Road Transport and Highways), state PWD (Public Work Department), MPRDC (Madhya Pradesh Road Development Corporation Ltd), MSRDC (Maharashtra State Road Development Corporation Ltd) and Local municipal bodies.

Acuité believes group's operations will benefit from the promoter's extensive experience of executing projects with various government agencies over the medium term.

- **Improvement in revenue from operations over the years**

Revenue from operations of the group has increased to Rs.198.74 Cr. in FY2020 from Rs.167.70 Cr. in FY2019. The increase in revenue from operations was majorly on account of healthy order book position of the group and timely execution of the projects. The company also has diversified geographic presence across 25 states of the country. Further, the revenues of the group has increased to Rs.253.71 Cr. in 12MFY2021 on account of timely execution of orders as the group had no major impact in their operations due to the onset of covid-19 pandemic. Acuité believes that the group will continue to improve the performance in operations over the medium term on account of timely execution of orders and growth in the overall infrastructure industry.

Acuité believes that the group will continue to improve the performance in operations over the medium term on account of healthy order book position and well diversified geographic presence.

- **Healthy financial risk profile**

The financial risk profile of the group stood healthy marked by healthy net worth, debt protection metrics and debt coverage indicators. The net worth of the group stood at Rs.80.86 Cr. as on 31 March, 2020 as against Rs.64.44 Cr. as on 31 March, 2019. The gearing (debt-equity) stood low at 0.05 times as on 31 March, 2020 as against 0.01 times as on 31 March, 2019. The coverage indicators stood comfortable marked by Interest Coverage Ratio (ICR) of 13.57 times for FY2020. The NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 9.52 times in FY2020 and Debt to EBITDA stood at 0.08 times in FY2020.

Acuité believes that the financial risk profile of the group is expected to remain healthy backed by moderate net cash accruals over the near to medium term.

Weaknesses

- **Competitive and fragmented industry coupled with tender based business**

The group is engaged as consultant for infrastructure sector. The particular sector is marked by the presence of several other players. The group faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts and hence the group has to make a bid for such tenders on competitive prices. However, this risk is mitigated to an extent on account of extensive experience of the management of the group.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Profile-Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.35.76 Cr. for FY2020 while its maturing debt obligations were Rs.1.20 Cr for the same period. The group maintains unencumbered cash and bank balances of Rs.6.09 Cr. as on 31 March, 2020 and the current ratio stood healthy at 2.34 times as on 31 March, 2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	198.74	167.70
PAT	Rs. Cr.	32.67	30.22
PAT Margin	(%)	16.44	18.02
Total Debt/Tangible Net Worth	Times	0.05	0.01
PBDIT/Interest	Times	13.57	15.43

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jan-2021	Cash Credit	Long Term	5.00	ACUITE BBB / Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	45.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	18.00	ACUITE A3+ (Reaffirmed)
04-Oct-2019	Cash Credit	Long Term	3.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB / Stable (Upgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	27.00	ACUITE A3+ (Upgraded from A3)
	Proposed Bank Facility	Short Term	18.00	ACUITE A3+ (Upgraded from A3)
29-Oct-2018	Cash Credit	Long Term	0.20	ACUITE BBB- / Stable (Assigned)
	Proposed Bank Facility	Long Term	4.80	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.20	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	23.80	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A3+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3+ (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Senior Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	

About Acuité Ratings & Research:

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