

Press Release

HMDA Ancon Kcp Logistic Park Private Limited

April 30, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 15.00 crore bank facilities of HMDA Ancon Kcp Logistic Park Private Limited (HMDA). The outlook is '**Stable**'.

HMDA, incorporated in 2011, is promoted by Mr. Rajashekhar Gupta Vodela. It is a special purpose vehicle promoted by M/S Ancon Design (Proprietorship firm of Mr Rajashekhar Gupta), and M/S KCP Projects Limited (KPC) which secured the logistics park project under design, build, finance, operate and transfer (DBFOT) from Hyderabad Metro Development Authority. The logistics park comprises various kinds of services such as Truck Parking, Warehouse Admin & Commercial Block, Fuel Station, and Automobile Station and Healthcare Centre among others spread across 22 acres at Mangalapally Village in Ranga Reddy District (Telangana). It is being developed at a project cost of about Rs.21.54 crore funded out of term loan of Rs.13.0 crore and rest from promoters' contribution. The project is expected to be operational by June 2019.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HMDA Ancon - KCP Logistic Park Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters**

Mr. Rajashekhar Gupta Vodela has 99.83 percent shareholding through Ancon Design, and rest is held by KCP Projects Ltd. HMDA enjoys the expertise from both the promoter groups; Mr Rajashekhar carries an experience of about two decades in Infra development, besides nearly four decades of experience in construction and infra development of KCP. Mr. Rajashekhar manages the project implementation activity. The concessionaire period is 30 years with an expected commercial operation date (COD) of March 2020. However, owing to experienced management, the project is expected to be operational by around June 2019. Under this, HMDA is expected to pay administrative charges at the rate of 5 per cent of its revenues to HMDA - Hyderabad. Acuité believes that the increasing flow of commercial vehicles, demand for warehouses, retailing / e-commerce activities, restriction on entry of vehicles into the city are expected to support the demand and early break-even of its operations.

- **Low funding and implementation risk**

The estimated project cost of the logistics park is about Rs.21.54 crore, which is proposed to be funded out of Rs.13.0 crore and rest from promoters. As of February, 2019, the company has invested about Rs.16.71 crore; the same is funded out of term loan of Rs.8.40 crore and Rs.5.40 crores through promoters. HMDA expects the project to be completed earlier than expected by around June 2019 against original envisaged COD of March 2020. Acuité believes that with strong promoter group and project completion at about 75 per cent (physical progress and amount incurred), HMDA is expected to enjoy the benefits of early cash flows, though the flow of the traffic and occupancy of the facilities are key rating sensitivity factors over the near term.

• Attractive project location with strong connectivity and proximity to industrial hub

The project is located at Mangalapally Village in Ibrahimpatnam Mandal Ranga Reddy District (Telangana) which is easily accessible to Outer Ring Road (ORR) Junction on Nagarjuna Sagar Highway about 200 m from and about 30 KM from Hyderabad. The location is also attractive due to its proximity to Rajiv Gandhi International Airport at about 20 KM. The subject site can partly serve the freight logistics requirement of both NH9 corridor towards Vijayawada and NH7 corridor towards Bangalore.

Weaknesses

• Competition from the projects in the vicinity, Traffic movement and Govt policy

The company faces competition from various medium and large size warehouses in the vicinity. Nevertheless, modern specifications, better infrastructure and ability to provide customised solutions allow the company to charge premium rates as compared to competition. Further, traffic flow, any adverse change of Government policies on vehicle movement and operation of facilities are key rating sensitivity factors on the cash flows of the company.

Liquidity Position:

The funds are tied up for timely completion of the project. As of February, 2019 it has invested about Rs.16.71 crore and project is expected to be completed at about Rs. 20.00 crore; Rs.1.50 crore less than the initial estimate. The same is proposed to be funded out of term loan of Rs.11.50 crore (likely to limit its term loan withdrawal against sanctioned limit of Rs.13 crore) and rest from promoters. HMDA's cash accruals are estimated to remain around Rs.1.00-2.50 crore during 2020-22, while its repayment obligation are estimated to be around Rs. 1.60 crore. Term loan repayments are scheduled to start from June, 2021. HMDA maintains unencumbered cash and bank balances of Rs.0.80 crore as on February 2019 as part of DSRA. Acuité believes that strong promoter group and financial flexibility are expected to support the liquidity over the medium term.

Outlook: Stable

Acuité believes that the outlook on HMDA will remain 'Stable' over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' in case of early completion of the project and better than the expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any cost or time overrun in the project or less-than-expected accruals leading to stretch in its liquidity.

About the Rated Entity - Key Financials

Not Applicable.

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

HMDA Ancon KCP Logistics Private Limited has not cooperated with CARE Ratings Limited which has classified it as 'Issuer not cooperative' vide release dated March 13, 2019. The reason provided by CARE Ratings Limited, which is non-furnishing of information for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+

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About Acuité Ratings & Research:

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