

Press Release

HMDA Ancon KCP Logistic Park Private Limited

September 13, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 15.00 Cr bank facilities of HMDA Ancon KCP Logistic Park Private Limited (HMDA).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

About the company

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 (KCP) which secured the logistics park project under design, build, finance, operate and transfer (DBFOT) from Hyderabad Metro Development Authority. The company is engaged in development, leasing and maintenance of warehouse/industrial/logistics Park in Hyderabad, Telangana. 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. It is spread across 22 acres at Mangalapally Village in Ranga Reddy District (Telangana).

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HMDA to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced promoters

Mr. Rajashekhar Gupta Vodela has 99.94 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 scale of operation has been moderate with turnover of Rs. 2.43 Cr in fiscal 2021 (provisional). 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 ramp up its scale of operations early break-even.

• 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

• Below-average financial risk profile:

The company has a below average financial risk profile marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the HMDA stands moderate at Rs.3.17 crore as on March 31, 2021 (provisional). The gearing (debt-equity) and total outside liabilities to total Net Worth (TOL/TNW) stood at 6.02 times and 7.46 times respectively as on 31 March, 2021 (provisional) vis a vis 7.61 times and 9.98 times as on 31 March, 2020. The debt protection metrics Interest coverage ratio (ICR) is stands at 2.38 times and net cash accruals to total debt (NCA/TD) stands 0.08 times in FY2021 (provisional). Its debt-to-EBITDA stands 13.30 times with a DSCR of 1.30 times for FY2020 (provisional) vis a vis 1.00 time and -0.01 times in FY2020. Further, the company plans to construct warehouse-2 with an outlay of Rs.9.50 crore, expected to be funded through debt of around Rs.5 crore and the balance through equity. Acuité believes the financial risk profile of the HMDA will remain below average over the medium term on account of large ongoing debt funded capital expenditure plan and ability of the company scale of its operations with surplus accruals in order to service its debt obligation in timely manner will be critical.

• Risks associated with the upcoming phase of the project

The company is exposed to market risk associated with the vacant space in the ongoing and recently developed phase. Timely leasing at favourable rates is critical for the company. There has been an increase in competition in the industrial warehousing segment in India. The company is yet to finalize the tenants for the remaining area which exposes the company to market risks. The execution and funding plans related to such upcoming project might have a bearing on the overall credit profile of the company. Company exposed to some degree of project execution risks though the company possesses the requisite expertise to build and lease out industrial spaces. Timely completion of the project, and leasing of the entire warehouse space at sustainable lease rental rates and to attract clients with sound credit risk profiles will be crucial in maintaining adequate liquidity. However, this risk is mitigated by the strategically well-located warehousing facilities.

Liquidity Position: Stretched

HMDA has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations HMDA's cash accruals are estimated to remain around Rs.1.00-2.50 Cr during 2022-24, while its repayment obligation are estimated to be around Rs. 2.50-3.00 Cr HMDA maintains unencumbered cash and bank balances of Rs.2.85 Cr as on 31 March 2021 (provisional). Given the capex plans and equity commitments for the same, the liquidity position of the company remains stretched. With debt repayments also starting in the short term, Acuité estimates the projected cash flow cover to remain subdued and hence timely support from the promoter remains important. However, Acuité believes that strong promoter group and their financial flexibility are expected to support the liquidity over the medium term.

Rating Sensitivities

- Scale of operations increase substantially with stable profitability and improving DSCR
- The company is required to improve its net-worth and correct its capital structure by bringing in additional equity, which is a key rating sensitivity.

Material covenants

None

Outlook: NA

About the Rated Entity - Key Financials

	Unit	FY21 (provisional)	FY 20(Actual)
Operating Income	Rs. Cr.	2.43	1.83
PAT	Rs. Cr.	0.63	(2.00)
PAT Margin	(%)	26.00	(109.21)
Total Debt/Tangible Net Worth	Times	6.02	7.61
PBDIT/Interest	Times	2.38	1.00

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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	Size of the Issue (Rs. Cr.)	Ratings/Outlook
02-July-2020	Term Loan	Long Term	11.60	ACUITE B+ /Stable (Downgraded from ACUITE BB- /Stable)
	Bank Guarantee	Short Term	3.40	ACUITE A4 (Downgraded from ACUITE A4+)
30-Apr-2019	Term Loan	Long Term	11.50	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Term Loans	31-05-2017	Not Available	Not Available	11.60	ACUITE B+ (Withdrawn)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.40	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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