

Press Release

Hella Infra Market Limited

April 13, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 52.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 52.00 crore bank facilities of Hella Infra Market Limited (HIML). The outlook is '**Stable**'.

Thane based, Hella Infra Market Limited (HIML) was incorporated in 2016. The company operates an online platform wherein they provide a marketplace under the brand name "Infra.Market". The company majorly caters to industries such as real estate and construction. HIML provides one-stop source for construction materials such as ready-mix concrete, fly ash and construction chemicals among other products and majorly caters to business-to-business clientele. The company is promoted by Mr. Aaditya Sharda and Mr. Souvik Sengupta. HIML currently has presence in three cities, Mumbai, Pune and Bengaluru.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Hella Infra Market Limited (HIML) to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The company is promoted by Mr. Aaditya Sharda and Mr. Souvik Sengupta. Mr. Sharda, an alumnus of IIM Ahmedabad, has a decade-long experience in the field of infrastructure and construction industry. Mr. Sengupta, also an alumnus of IIM-Bangalore, and a chartered accountant by profession who also possess a decade of experience in the same line of business. The company is well supported by second line of management team which consist of experienced professional who possess over two decade of experience in field of Finance, IT and engineering to support operations. The extensive network and experience of promoters have helped the company in improve scale of operations as reflected in growth in operating income to Rs. 307.15 crores for 11MFY2020 as against Rs.63.22 crores in FY2019 and Rs.28.50 crores in FY2018. Acuite believes that the company will continue to benefit through the promoters' extensive industry experience and network over the medium term.

• Demonstrated ability to raise Capital, adequate funding and liquidity to enable medium-term Growth

HIML is also backed by renowned investors such as Tiger Global, Nexus Venture Partners, Accel India and Innoven Capital India Pvt. Ltd. The company has completed two rounds of equity funding raising total of Rs. 174.00 crore in FY2020. HIML was initially funded by Accel India in first round of fund raising held in August 2019. The company had raised USD 3.50 million (approximately Rs. 25.00 crore) in first round of seed funding and in subsequent rounds of funding. In second round of funding held in December 2019, the company raised USD 20 million (approximately Rs 143.50 crore) in its 'Series A' funding round led by US-based investment firm Tiger Global. HIML has been able to raise funding of Rs. 168.50 crores till March 2020, demonstrating strong ability of the promoters to raise fund for its future growth.

• **Healthy Financial risk profile**

The financial risk profile of HIML stood healthy marked by healthy net worth, comfortable gearing and coverage indicators. The tangible net worth of the company stood at Rs. 9.75 crore as on 31 March, 2019 as against Rs. 0.92 crore as on 31 March, 2018. It has subsequently increased to Rs.182.45 crores as on February 2020. The significant improvement is backed by raising equity capital and infusion of funds by renowned investors. The gearing and TOL/TNW stood at 0.54 times and 1.02 times as on 31 March, 2019 over 0.50 times and 6.45 times as on 31 March, 2018. Total debt of Rs. 5.27 crore consist of short term debt as on 31 March, 2019. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 9.09 times and 0.34 times, respectively, for FY2019 as against 8.64 times and 1.35 times, respectively, in FY2018. The Debt service Coverage ratio (DSCR) stood at 6.83 times in FY2019 as against 6.75 times in FY2018. Acuite the financial risk profile of the company to remain healthy in near to medium term backed by healthy net cash accruals and in absence of any major debt funded capex. Acuite believes the financial risk profile of the company to continue to remain healthy on account of expected increase in the scalability of business supported by healthy tangible net worth of the company.

Weaknesses

• **Limited track record of operations and Moderate working capital cycle**

The company was established and commenced its operations from 2016, hence the company has around 4 years of presence in the aforesaid industry. Further, as the brand 'Infra.Market' is relatively new in the industry and its brand visibility is limited, which is further aggravated by the intense competition. Further, the company operates in a moderate working capital intensive nature of operations marked by Gross Current Asset (GCA) days which stood at 96 days for FY2019 and 75 days for FY2018. However, the same is likely to elongate on account of stretch in receivables which stood at 98 days for in 11M FY2020 and uncertainty in receivables due to outbreak of COVID -19. The receivable days of the company stood at 91 days for FY2019 and 74 days for FY2018 respectively. Thus leading to moderate utilization of its bank lines at about 80.00 per cent for the last six months through December 2019. Acuite believes that, the company's ability to scale up its operations while managing its working capital cycle and its dependence on external borrowings will be a critical credit monitorable.

• **High geographical concentration and intense competition**

HIML faces geographical concentration risk ~ 70 to 75.00 percent of the total revenue in FY2018 and FY2019 was derived from the Mumbai, making it susceptible to slowdown in a particular geography/market. Furthermore, end user industry is real estate and infrastructural construction which is currently facing slowdown by sluggish demand and cyclical in nature. Also, company faces stiff competition from presence of large number of small and mid-size players in construction material supply market limiting barraging power with its customers and suppliers. Any slowdown in the economic conditions may impact the flow of orders and operating levels of the company.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle leading to deterioration of financial risk profile and liquidity

Liquidity Position: Adequate

The Liquidity profile of the company stood adequate marked by net cash accruals of Rs. 1.77 crores as against no repayment obligation during FY2017-2019. The net cash accruals are expected to remain in range of Rs. 6.00 to 7.50 crores through FY20-22. The cash and bank balance stood at Rs. 0.02 crores and current ratio of the company stood at 1.88 times as on 31 march 2019. The gross current asset (GCA) days which stood moderate at 96 days in FY2019 and 75 days in FY2018. The bank limit utilization stood at 80.00 percent in last six month ending December 2019. The unencumbered cash and bank balance stood at Rs.98.22 crores an February 2020. Acuite believes that the increase in company scalability resulting in improvement in net cash accruals along with unutilized bank lines will be sufficient to fund its incremental working capital requirements over near to medium term.

Outlook: Stable

Acuite believes that company will continue to maintain a 'Stable' outlook over the medium term, owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in its revenue, while sustaining the profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in its revenues or significant volatility in its profitability or any significant stretch in its working capital management leading to deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	63.22	28.50
PAT	Rs. Cr.	1.74	0.59
PAT Margin	(%)	2.75	2.07
Total Debt/Tangible Net Worth	Times	0.54	0.50
PBDIT/Interest	Times	9.09	8.64

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

None

Any other information

Not Any

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of 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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB-/ Stable
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB-/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB-/ Stable

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