

Press Release

Hella Infra Market Limited

April 06, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.52.00 Cr.
Long Term Rating	ACUITE BBB- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.52.00 Cr. bank facilities of Hella Infra Market Limited (HIML).

The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuite's policy.

About the company

Thane based, Hella Infra Market Limited (HIML) was incorporated in 2016. The company runs online procurement marketplace in the brand name of "Infra.Market"; intended to serve the real estate and construction materials industry. The company was founded by Mr. Aaditya Sharda and Mr. Souvik Sengupta. The company currently has a presence in Mumbai, Pune and Bengaluru. HIML currently provides products such as ready-mix concrete, fly ash and construction chemicals.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

HIML has experienced management, comprising of key promoters 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. Mr. Sengupta, an alumnus of IIM-Bangalore, and chartered accountant by profession possess a decade experience in the same line of business. The company's key management team also 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 expanding its business operations which led to healthy improvement in scale of operations as reflected by growth in operating income to Rs.348.75 Cr. in FY20 as against Rs.63.22 Cr. in FY19.

Acuite believes that HIML will continue to benefit from its established position in the market and experienced management.

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

The company is backed by renowned investors such as Tiger Global, Nexus Venture Partners and Innoven Capital India Pvt. Ltd. The company has completed three rounds of equity funding raising total of Rs.308.13 Cr. from its inception in 2016 till December, 2020. Accel India had participated in subsequent rounds of funding, indicating their willingness to provide support and growth capital. The company has also recently entered into the fourth round of equity funding of Rs.727.95 Cr. in March, 2020. The fourth round of equity funding will be completed in two tranches. The first tranche of Rs.373.90 Cr. has been completed in March, 2021 and the second tranche of Rs.353.05 Cr. will be completed in April, 2021. The equity funds raised by the promoters ensured adequate funding and liquidity to enable medium-term growth plans to HIML. The funds is likely to be used in working capital and expansion in new geographical regions.

• Healthy Financial risk profile

The company has healthy financial risk profile marked by increase and healthy net worth, healthy gearing and debt protection matrices. The tangible net worth of the company increased to Rs.184.52 Cr.as on 31 March, 2020 as against Rs.9.75 Cr. same period last year on account of funds raised by the company from

various private investors and retention of profit for the same period. The gearing level of the company remained low at 0.10 times in as on 31 March, 2020 as against 0.54 times same period last year on account of increase in net worth of the company. The total debt as on 31 March, 2020 consist of working capital limits from banks of Rs.18.81 Cr. However, the increase in interest cost couple with marginal deterioration in profitability of the company resulted in deterioration yet healthy debt protection matrices marked by Interest Coverage Ratio (ICR) of 6.17 times in FY20 as against 9.09 times in FY19. Further, the debt to EBITDA of the company improved to 1.39 times in FY20 as against 1.88 times in FY19 and the TOL/TNW improved to 0.16 times as on 31 March, 2020 as against 1.02 times same period last year.

Weaknesses

• Limited track record of operations and working capital intensive operations

The company has a limited operational track record in the construction materials and services industry as its operations commenced from 2016. 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. The absence of a sufficient operational track record is constraining factor. Further, the operations of the company are working capital intensive in nature marked by increase and high Gross Current asset days of 191 days for FY20 as against 70 days for FY19. This is majorly on account of increase in receivables period to 142 days for FY20 as against 91 days for FY19. The company maintains very negligible inventory on account of just-in time ordering process with its suppliers and on-demand ordering business model. Subsequently, the payable period decline to 11 days for FY20 as against 21 days for FY19. However, the average bank limit utilization in the last six months ended Feb, 21 remain moderate at ~49 percent. Acuite believes that, the nature of business, operations are expected to be working capital intensive over the medium term. Further, the company's ability to scale up its operations while managing its working capital cycle will be a critical credit monitorable.

• Highly fragmented and competitive industry

The 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. Furthermore, the end user industry of the company product's are real estate and infrastructural construction which remains cyclical in nature. Any slowdown in the economic conditions may impact the flow of orders and operating levels of the company.

Liquidity Position: Healthy

The company has healthy liquidity position marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.9.01 Cr. in FY20, while its maturing debt obligations were nil for the same period. However, the company has working capital intensive nature of operations marked by high GCA days of 191 days for FY20. The company maintains unencumbered cash and bank balances of Rs.12.92 Cr. as on 31 March, 2020. The current ratio stood healthy at 6.88 times as on 31 March, 2020. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals to its maturing debt obligation.

Rating Sensitivities

Not Applicable

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	348.75	63.22
PAT	Rs. Cr.	8.59	1.74
PAT Margin	(%)	2.46	2.75
Total Debt/Tangible Net Worth	Times	0.10	0.54
PBDIT/Interest	Times	6.17	9.09

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Apr-2020	Cash Credit	Long Term	8.00	ACUITE BBB-/Stable (Assigned)
	WCDL	Long Term	30.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB-/Stable (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 Available	Not Applicable	Not Available	8.00	ACUITE BBB- (Withdrawn)
WCDL	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB- (Withdrawn)

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About Acuité Ratings & Research:

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