

Press Release

HELLA INFRA MARKET PRIVATE LIMITED (ERWHILE HELLA INFRA MARKET LIM

June 10, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.350.00 Cr.
Long Term Rating	ACUITE A / Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A**' (read as **ACUITE A**) on the Rs.350.00 Cr. bank facilities of Hella Infra Market Private Limited (HIMPL; Erstwhile Hella Infra Market Limited).

Rationale for rating assigned

The rating primarily factors in the significant improvement in the business and financial risk profile of Hella Infra Market Private Limited (HIMPL) over the last two years. Over FY20 and FY21, HIMPL has increased its footprint and customer base across the country; it has also diversified its supplier base in the southern, northern and western region, thereby enhancing its capabilities to cater to a pan India clientele. The improvement in scale of operations is further aided by its venture into exports and diversification into new products, which currently contributes around 40 per cent to its total revenues. HIMPL has also been able to sustain its operating margin in the range of 5 per cent, despite the strong growth in revenues.

These improvements in the business risk profile have been aided by the multiple rounds of fund infusion. HIMPL has raised Rs.1,035 Cr. in the form of equity to propel the growth in its business over the last two years. The financial risk profile of the company and its liquidity remain strong. Acuite believes that HIMPL's business risk profile is likely to improve further as it expands its footprint in the export and direct to retail segment.

About the company

Thane based, Hella Infra Market Private Limited (HIMPL; Erstwhile Hella Infra Market Limited) was incorporated in 2016 by Mr. Aaditya Sharda and Mr. Souvik Sengupta. The company runs an online procurement marketplace intended to serve the real estate and construction materials industry in the brand name of "Infra.Market". HIMPL offers a one stop solution to various infrastructure players and provides them credit, which eliminates the need to maintain multiple suppliers. The company currently has a presence in more than thirty cities across several states of India. The company currently offers products & services such as ready-mix concrete, steel & metals, chemicals, equipment services along with various construction materials.

Analytical Approach

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

Key Rating Drivers

Strengths

• Asset light business model with diversification in product portfolio and experienced management

HIMPL commenced its operations from FY17 as an online procurement marketplace under its own brand name of "Infra.Market" to serve majorly the construction and real estate industry. The company was promoted by Mr. Aaditya Sharda and Mr. Souvik Sengupta. Mr. Sharda is an alumnus of IIM Ahmedabad and has a decade-long experience in the field of infrastructure and construction. Mr. Sengupta, is also an alumnus of IIM-Bangalore and a chartered accountant by profession with nearly a decade of experience in the same line of business. Apart from the promoters, the key management team of the company consist of experienced professionals who possess over two decade of experience in the field of Finance, IT engineering and many other to support the operations. The company is a business-to-business market place which offers end to end service to its customers.

The company follows an Asset Light business model where it provides contract manufacturing by non-branded manufactures under "Infra.Market" and act as distributor for various other branded products manufactures. HIMPL which offers around 11 products and services to four different industries across the country as well exports to other countries both under the distributorship model and contract manufacturing.

Further, the company is planning to enter new product lines in FY22 such as electricals, paints and walling solutions. The extensive network and experience of promoters have helped the company in expanding its business operations over the years.

Acuite believes that HIMPL will continue to benefit from its experience management and expand its operations in the near to medium term.

• **Significant increase in revenues with stable margins over the years**

The business risk profile of the company has improved substantially since its inception reflected the significant growth in revenue from operations over the years. The revenue of the company grew around 341 per cent CAGR over the last three years over FY19 - FY21 (Estimated) period from Rs.63 Cr. in FY19 to Rs.1228 Cr. in FY21. The improvement in revenues was majorly on account of geographic expansion by increasing its footprints across the country. The company also ventured into exports and diversified its product portfolio (currently contributes around 40 per cent to the total revenues) which further aided to the improvement in revenues. With significant growth in revenues, HIMPL have been able to sustain the operating profit margin in the range of 5 per cent in last three years.

Amid the onset of Covid-19 pandemic, the revenues of the company grew around 252 percent YoY to Rs.1228 Cr. in FY21 (Estimated) from Rs.349 Cr. in FY20. The increase was majorly driven by increase in exports and diversification in product mix. Further, the operating profit margin witnessed improvement by around 190 bps to 5.4 per cent FY21 (Estimated) from 3.5 per cent in FY20 and the profit after tax (PAT) margin marginally increased from 2.5 per cent in FY20 to 2.8 per cent in FY21 (Estimated).

Acuite believes that the expansion and diversification of product portfolio of the company will continue to help in towards increasing revenues with stable profit margins.

• **Multiple rounds of equity funding has led to healthy liquidity and substantial growth in capital for future expansion**

The company is backed by renowned investors such as Tiger Global (Internet Fund V Pte Ltd), Accel India V (Mauritius) Limited, Nexus Venture Partners, Innoven Capital India Pvt. Ltd to name a few. The company has completed four rounds of equity funding raising a total of Rs.1,038 Cr. since its inception in 2016 till March, 2021. Existing investors such as Accel India, Tiger Global along with few others had participated in subsequent rounds of funding, indicating their willingness to provide support and growth capital. The fourth round of equity infusion by the company was concluded recently with a funding of Rs.727.95 Cr. in March, 2020 which happened in two tranches. The first tranche of funding equivalent to Rs.373.90 Cr. has been completed in March, 2021 and the second tranche of Rs.353.05 Cr. was completed in May, 2021.

The equity funds raised by the promoters ensured adequate funding and liquidity to enable medium-term growth plans to HIMPL. The funds will likely to be used in working capital and expansion in new geographical regions. However, Acuite however, believes that further equity mobilization may pose challenges in shareholding dilution as the promoters currently hold only 35 per cent (As on 31 March, 2021) of total outstanding shares in the company.

• **Healthy financial risk profile**

The financial risk profile of the company continues to remain healthy marked by increase and healthy net worth, healthy gearing and comfortable debt protection matrices. The tangible net worth of the company increased to Rs.735 Cr.as on 31 March, 2021 (Estimated) as against Rs.185 Cr. same period last year on account of funds raised by the company from its existing investors and retention of profits for the same period. The gearing level of the company remained low at 0.15 times in as on 31 March, 2021 (Estimated) as against 0.10 times same period last year on account of healthy net worth. The total debt outstanding of the company consist of working capital limits from various lenders which stood at Rs.112 Cr. as on 31 March, 2021 (Estimated).

The debt protection matrices deteriorated yet remained comfortable for FY21 (Estimated). The interest coverage ratio (ICR) stood at 3.39 times in FY21 (Estimated) compared to 6.17 times in FY20 on account of higher interest cost. The debt service coverage ratio (DSCR) stood at 2.81 times for FY21 (Estimated) as against 5.11 times same time last year. Further, the debt to EBITDA of the company slightly improved to 1.66 times for FY21 (Estimated) as against 1.39 times in FY20 and the total outside liabilities to total tangible net worth (TOL/TNW) and the net cash accruals to total debt (NCA/TD) stood at 0.23 and 0.32 times as on 31 March, 2021 (Estimated) respectively.

Acuite believes that the financial risk profile of the company will continue to remain healthy on account of the healthy revenue growth, healthy cash accruals and no major debt funded capex in the near to medium term.

Weaknesses

• Limited track record of operations and working capital intensive nature of operations

The company commenced its operations from FY17 highlighting limited operational track record in the aforementioned industry. Further, as the brand 'Infra.Market' is relatively new in the industry and its brand visibility is currently limited to major urban cities of this country. However, the future expansion plans of the company is likely to enhance its brand visibility to other parts of this country in near to medium term.

The operations of the company are working capital intensive in nature marked by increase and high Gross Current Asset (GCA) days of 258 days for FY21 (Estimated) as against 191 days for FY20. High GCA days are majorly on account of high receivables period of 143 days for FY21 (Estimated) as the company offers lenient credit terms towards its customers. The company maintains nil inventory on account of just-in time ordering process with its suppliers and on-demand ordering business model. However, the working capital of the company is currently managed by long term sources and average utilization of the working capital limits are around 47 percent in the last six months ended March, 2021.

Acuite believes that, the nature of business, operations are expected to be working capital intensive over the medium term on account of liberal credit terms offered to its customers. Further, the company's ability to scale up its operations while managing its working capital cycle will be a critical credit monitorable.

• High dependence on demand from construction and real estate industry

The end users of product and services offered by the company are majorly belonging to the construction and real estate industry which remains cyclical in nature. The revenues of the company are highly dependent upon the growth in demand of the aforementioned industry. Any slowdown in the economic conditions may impact growth in scale of operations of the company. Apart from that, the company also faces stiff competition from presence of large number of small and mid-size players in construction material supply market limiting bargaining power with its customers and suppliers.

Liquidity Position: Strong

The liquidity position of the company remains strong marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.36 Cr. in FY21 (Estimated), while its maturing debt obligations were nil for the same period. The net cash accruals are estimated to remain in the range of Rs.115 – Rs.142 Cr. during FY22-23 period against no matured debt obligations. Despite working capital intensive nature of operations as reflected by high GCA days, the average working capital limit utilization remains around 47 per cent in last six months ended March, 2021. Further, the company maintains unencumbered cash and bank balances of Rs.271 Cr. and the current ratio stood healthy at 5.20 times as on 31 March, 2021 (Estimated). Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no maturing debt obligation.

Rating Sensitivities

- Improvement in the scale of operations while maintaining the operating profit margins in the current levels
- Expansion of company's footprints towards other parts of the country along with increase in exports and diversification in product portfolio
- Any deterioration or stretched in the working capital cycle may impact the financial risk profile

Material Covenants

None

Outlook: Stable

Acuite believes that the company will maintain 'Stable' outlook in the medium term on account of the significant improvement in the scale of operations along with future expansion and diversification plans. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile and liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY21 (Estimated)	FY20 (Actual)
Operating Income	Rs. Cr.	1,228	349
PAT	Rs. Cr.	35	9
PAT Margin	(%)	2.8	2.5
Total Debt/Tangible Net Worth	Times	0.15	0.10
PBDIT/Interest	Times	3.39	6.17

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Apr-2021	Cash Credit	Long Term	8.00	ACUITE BBB- (Withdrawn)
	WCDL	Long Term	30.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	14.00	ACUITE BBB- (Withdrawn)
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.)	Name of the Bank	Ratings/ Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	Axis Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	State Bank of India	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	Bank of India	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.50	ICICI Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	HDFC Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	CSB Bank Ltd.	ACUITE A/Stable (Assigned)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	Canara Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	Kotak Mahindra Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	Bandhan Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	Yes Bank	ACUITE A/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	IDFC First Bank	ACUITE A/Stable (Assigned)
WCDL	Aug, 2019	14.25%	Sep, 2020	30.00	Innoven Capital	ACUITE A/Stable (Assigned)
WCTL	May, 2020	14.60%	Nov, 2022	20.00	Vivriti Capital	ACUITE A/Stable (Assigned)
WCTL	Dec, 2020	11.00%	June, 2023	10.00	Tata Capital	ACUITE A/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	88.50	Not Applicable	ACUITE A/Stable (Assigned)

Contacts

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About Acuite Ratings & Research:

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