

Press Release

Hella Infra Market Private Limited (Erwhile Hella Infra Market Limited)

September 07, 2022



Rating Downgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	350.00	ACUITE BBB+ Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	350.00	-	-

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to 'ACUITE BBB+' (read as ACUITE triple B plus) from 'ACUITE A' (read as ACUITE A) on the Rs.350.00 Cr.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). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) or no dues certificate (NDC) received from the banker.

Rationale for downgrade

The downgrade in the rating factors in the IT - Raid conducted wherein INR 224 cr. of undisclosed additional income in various assessment years was found and the matter is still awaiting closure. Further CBDT highlighted significant foreign funding via Mauritius route at exorbitantly high premium indicating concerns over governance.

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 offers products & services such as readymix 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 is 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 nonbranded manufactures under "Infra.Market" and act as distributor for various other branded products manufactures. HIMPL which offers products and services to four different industries across the country as well exports to other countries both under the distributorship model and contract manufacturing. The extensive network and experience of promoters have helped the company in expanding its business operations over the years.

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, Nexus Venture Partners and Accel Partners. The company has completed five rounds of equity funding raising total of Rs. 1981.00 crore. Accel Partners, Tiger Global had participated in subsequent rounds of funding, indicating their willingness to provide support and growth capital. The funding has provided sufficient liquidity to enable medium-term Growth plans to HIMPL. The funds are likely to be used in working capital and expansion in new geographical regions organically and by inorganic expansions. Acuité however, believes that further equity mobilization may pose challenges in shareholding dilution as the promoters and promoters affiliates currently hold only 32 per cent (As on 31 July, 2022) of total outstanding shares in the company.

Healthy Financial risk profile

The financial risk profile of HIMPL stood healthy marked by healthy net worth, comfortable gearing and coverage indicators. The tangible net worth of the company stood at Rs. 2155.36 crore as on 31 March, 2022 as against Rs. 718.81 crore as on 31 March, 2021. It has subsequently increased to Rs.2336.40 crores as on July 2022. The significant improvement is backed by raising equity capital and infusion of funds by renowned investors. The gearing and TOL/TNW stood at 0.58 times and 0.72 times as on 31 March, 2022 over 0.22 times and 0.28 times as on 31 March, 2021. Total debt of Rs. 1253.38 crore consist of long term debt of Rs. 542.62 crore, short term debt of 469.02 crore and CPLTD of Rs. 241.74 crore as on 31 March, 2022. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 2.37 times and 0.12 times, respectively, for FY2022 as against 3.19 times and 0.20 times, respectively, in FY2021. The Debt service Coverage ratio (DSCR) stood at 1.88 times in FY2022 as against 2.75 times in FY2021. Acuité believes the financial risk profile of the company to remain comfortable in near to medium term backed by improved profitability position and healthy net cash accruals.

Weaknesses

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

The company has a short operational track record in the construction materials and services industry as its operations commenced from 2016. Further, as the brand 'Infra.Market' has gained recognition however it 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, high working capital intensive operations is marked by gross current asset (GCA) days which further deteriorated and stood high at 302 days in FY2022 vis-a-vis 266 days in FY2021. The receivable days of the company stood at 142 days as on March 31, 2022 and 126 days as on March 31, 2021 respectively. Thus leading to moderate utilization of its working capital limits at about 68.00 per cent for the last four months through July 2022.

High geographical concentration and intense competition

HIML faces geographical concentration risk ~ 40 to 50 percent of the total revenue in FY2022 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 cyclical in nature. In addition, company 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. Any slowdown in the economic conditions may affect the flow of orders and operating levels of the company.

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.

CBDT Notification and IT Raid

The IT department conducted a raid between 9 March 2022 and 12 March 2022 wherein the department made following observation:

- INR 224 cr. of undisclosed additional income in various assessment years on account of GST mismatches
- Significant foreign funding via Mauritius route at exorbitantly high premium
- Evidence of some network of Mumbai and Thane based shell companies

As per the response provided by the management IT Raid had no impact on the operations of the company. There is no demand made by the tax authorities till date and hence it is unlikely that there will be any contingent liability in the books for FY22.

Rating Sensitivities

Material covenants

None

Liquidity Position

Adequate

The Liquidity profile of the company stood adequate marked by net cash accruals of Rs. 148.96 crores as against CPLTD of Rs. 28.57 cr in FY2022. The cash and bank balance stood at Rs. 289.55 crores and current ratio of the company stood at 2 times as on 31 march 2022. The gross current asset (GCA) days which stood high at 302 days in FY2022 and 266 days in FY2021. The bank limit utilization stood at 68 percent in last four month ending July 2022. The company has liquid investment in mutual funds worth Rs. 12.19 Cr.

Outlook: Stable

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	3248.38	1062.37
PAT	Rs. Cr.	148.96	30.52
PAT Margin	(%)	4.59	2.87
Total Debt/Tangible Net Worth	Times	0.58	0.22
PBDIT/Interest	Times	2.37	3.19

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 Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Jun 2021	Working Capital Term Loan	Long Term	10.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE A Stable (Assigned)
	Working Capital Term Loan	Long Term	20.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan	Long Term	30.00	ACUITE A Stable (Assigned)
	Proposed Bank Facility	Long Term	88.50	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	28.50	ACUITE A Stable (Assigned)
06 Apr 2021	Cash Credit	Long Term	14.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	8.00	ACUITE BBB- (Withdrawn)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BBB- (Withdrawn)

13 Apr 2020	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	30.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.50	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
CSB Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Downgraded & Withdrawn (from

							ACUITE A)
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	88.50	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Innoven Capital	Not Applicable	Working Capital Demand Loan (WCDL)	01-08-2019	Not available	01-09-2020	30.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
Vivrit Capital Private Ltd.	Not Applicable	Working Capital Term Loan	01-05-2020	14.6	01-11-2022	20.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)
TATA Capital Financial Service Ltd.	Not Applicable	Working Capital Term Loan	01-12-2020	Not available	01-06-2023	10.00	ACUITE BBB+ Downgraded & Withdrawn (from ACUITE A)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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