

Press Release

Hazoor Multi Projects Limited

September 16, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non-Convertible Preference Shares	50.00	Provisional ACUITE BB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**Provisional ACUITE BB**' (read as **Provisional ACUITE double B**) on the Rs.50.00 Cr proposed Non-Convertible Preference Shares of Hazoor Multi Projects Limited (HMPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company.

About the Company

Hazoor Multi Projects Limited (HMPL) incorporated in the year 1992 is a Mumbai based public limited company which got listed on Bombay Stock Exchange (BSE) in the year 2002, was initially engaged into the business of construction of residential projects, however in FY2021, the company changed its line of business and is now engaged into the business of infrastructural development and works as a sub-contractor in executing various national highway road projects awarded by government authorities such as Maharashtra State Road Development Corporation Ltd. (MSRDC) and National Highways Authority of India (NHAI). In October 2021, Mr. Pawan Mallawat acquired a 25.93 percent stake in HMPL in his own capacity and through his other company Keemtee Financial Services Limited. Since then Mr. Mallawat has been managing the day to day operations of the company. It has an unexecuted order book of more than Rs.1200 Cr. as on August 31, 2022.

Analytical Approach

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

Key Rating Drivers

Strengths

Moderate financial risk profile

Financial risk profile of HMPL is moderate marked by modest network, moderate gearing and moderate debt protection metrics. The network of the company stood modest at Rs.25 Cr as on 31 March, 2022 as against Rs.22 Cr as on 31 March, 2021. The gearing (debt-equity)

stood at 0.90 times as on 31 March, 2022 as against 0 times as on 31 March, 2021 on account of increase in the debt profile of the company marked by infusion of unsecured loans into the business of Rs.22 Cr during the same period.

The interest coverage ratio and DSCR stood at 6.72 times and 5.08 times for FY2022. The Net Cash Accruals to Total debt stood lower at 0.11 times for FY2022. The Total outside liabilities to Tangible net worth has increased to 1.94 times for FY2022 as against 0.48 times for FY2021.

Improving operating performance

HMPL reported revenues of Rs.113 Cr for FY2022 as against Rs.24 Cr in FY2021 and has achieved this mainly on account of increase in the unexecuted order book from Rs.324 Cr as on 31st January 2022 to more than Rs.1200 Cr as on 31st August 2022. The increase in the order book is on account of receiving the balance part of work order of Nagpur-Mumbai Super Communication Expressway Limited of more than Rs.1000 Cr from Gayatri Projects Limited and originally awarded to them by Maharashtra State Road Development Corporation Ltd. (MSRDC).

The operating margin of the company has marginally improved to 3.58 percent in FY2022 as against 3.50 percent in FY2021 as well as the net profit margin of the company has improved to 2.21 percent in FY2022 as against 1.78 percent in FY2021 on account of overall increase in the operating performance of the company. Further, company has also reported an increase in revenue of Rs.203 Cr in Q1 FY2023 as against Rs.11 Cr in Q1 FY2022.

Efficient working capital management

The working capital operations of HMPL are efficient marked by its improved Gross Current Assets (GCA) of 80 days for FY2022 as against 300 days for FY2021. This is primarily on account of its improved inventory and debtors cycle. Inventory cycle of the company stood at 3 days in FY2022 as against 23 days in FY2021 whereas the debtors cycle stood at 35 days in FY2022 as against 193 days in FY2021.

Weaknesses

Limited track record of operations

HMPL was incorporated in the year 1992 and was initially engaged into the business of construction of residential projects, however in FY2021, the company changed its line of business and is now engaged into the business of infrastructural development and works as a sub-contractor in executing various national highway road projects. The company was earlier not generating revenue until FY2020. However, based on the new work order received for completion of balance work of Wakan - Pali Highway, the company therefore generated revenue of Rs.24 Cr in FY2021 and further on the basis of additional work order received of Nagpur-Mumbai Super Communication Expressway Limited in January 2022, the company therefore generated higher revenue of Rs.113 Cr in FY2022. Also, the new promoters belong to project financing background and hold limited experience in executing construction contracts.

Tender based nature of operations and competitive industry

HMPL majorly provides road construction services to the State Government of Maharashtra. The revenue of the company is highly dependent on the number and value of tenders floated by the Government. Also, HMPL faces intense competition from several mid to big size players. Risk is more pronounced as tendering is based on minimum amount of bidding of contracts, resulting into thin margins.

Rating Sensitivities

Not applicable

Material covenants

None

Liquidity position - Adequate

HMPL has adequate liquidity position marked by adequate net cash accruals (NCA) to its no significant maturing debt obligations. The company generated cash accruals in the range of Rs.0.05 Cr to Rs.2.51 Cr during FY2020 to FY2022 against no repayment obligation during the same period. The working capital operations of the company are efficient marked by its improved gross current asset (GCA) days of 80 days for FY2022 as against 300 days for FY2021. Current ratio stands at 0.97 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.11 Cr in FY2022.

Outlook

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	112.54	24.07
PAT	Rs. Cr.	2.48	0.43
PAT Margin	(%)	2.21	1.78
Total Debt/Tangible Net Worth	Times	0.90	0.00
PBDIT/Interest	Times	6.72	2266.67

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

Not applicable

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
14 Mar 2022	Proposed Non-Convertible Preference Shares	Long Term	50.00	ACUITE Provisional BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Non-Convertible Preference Shares	Not Applicable	Not Applicable	Not Applicable	50.00	Provisional ACUITE BB Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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