

July 02, 2021 <sup>Revised</sup>

## HMP Contractors Private Limited: Provisional Ratings confirmed as final

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits- Term Loan	0.00	24.50	[ICRA]BBB(CE) (Negative); Provisional rating confirmed as final
Long Term / Short Term – Unallocated	8.50	0.00	Provisional [ICRA]BBB(CE) (Negative)/ Provisional [ICRA]A3+(CE); withdrawn
Long Term / Short Term – Unallocated	24.50	0.00	-
Non-fund Based Limits	0.00	(1.31)	[ICRA]BBB(CE) (Negative)/[ICRA]A3+(CE); Provisional rating confirmed as final
<b>Total</b>	<b>33.00</b>	<b>24.50</b>	

#### Rating Without Explicit Credit Enhancement

[ICRA]BBB-/ [ICRA]A3

\*Instrument details are provided in Annexure-1, \*\* - sub-limit of Term Loan limit of Rs. 24.50 crore

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The ratings for the Rs. 24.50 crore bank facilities of HMP Contractors Private Limited (HMP Contractors) are based on the strength of corporate guarantee provided by Harsh Constructions Pvt. Ltd. (HCPL, the guarantor rated at [ICRA]BBB+(Negative)/[ICRA]A2). The reaffirmation and retention in outlook on the long-term rating at Negative reflects ICRA's rating on the guarantor, HCPL. The company has shared the executed version of the transaction documents for the aforesaid bank facilities with ICRA. Since the executed version of the transaction documents are in line with the rating conditions, the said rating of [ICRA]BBB(CE)(Negative)/[ICRA]A3+(CE) for Rs 24.50 crore has now been confirmed as final, while the provisional rating on the balance Rs 8.50 crore has been withdrawn.

#### Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by HCPL in favour of the said instrument. While the guarantee is legally enforceable, irrevocable and unconditional and covers the entire amount and tenor of the rated instrument, it does not have a well-defined invocation and payment mechanism. Taking cognisance of the above, ICRA has assigned ratings of [ICRA]BBB(CE)(Negative)/[ICRA]A3+(CE) to the said instruments against the unsupported rating of [ICRA]BBB-/ [ICRA]A3. In case the guarantor's rating undergoes a change in future, the same would reflect in the rating of the aforesaid instrument. The ratings of this facility may also undergo a change if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity or there is a change in the strategic importance of the rated entity for the guarantor.

### Salient covenants of the rated facility

- » DSCR of at least 1.25x to be maintained throughout the tenor of the facility
- » The ratio of Debt to Equity of the borrower shall not exceed 1.25:1 throughout the tenor of the loan
- » During the currency of facility, borrower shall not without prior written approval of lender, effect any change in its capital structure (including shareholding pattern) other than as contemplated under financing documents
- » Borrower shall not, without prior written approval of lenders, change the composition of its board of directors and/or its management set-up
- » Borrower shall not raise any debt, either secured or unsecured, with any other bank or financial institution or any other person other than permitted indebtedness approved by the lenders
- » Borrower shall not agree, authorize or otherwise consent to any proposed settlement, resolution or compromise of any litigation, arbitration or other dispute with any person without prior written authorization of the lenders
- » Borrower shall not initiate any voluntary bankruptcy proceeding of any nature whatsoever. Borrower shall not propose any resolution seeking approval of Board for filing application under IBC, either directly or indirectly deed.

## Key rating drivers and their description

### Credit strengths

**Corporate guarantee from HCPL:** The rating takes support from the profile of the sponsor – HCPL (rated at [ICRA]BBB+(Negative)/[ICRA]A2). The rating for the bank facilities of Rs. 24.50 crore is based on the strength of the corporate guarantee provided by HCPL

**Project to be executed under Hybrid Annuity Model (HAM)** - The inherent benefits of hybrid-annuity project include upfront availability of right of way, inflation linked revisions to bid project cost during the construction period and relatively low equity mobilisation risk with 60% of the project cost to be funded by the authority during the construction period in the form of grant. The project will have a stable revenue stream post-commissioning as 40% of the remaining project cost will be paid out as annuity (adjusted for inflation) over the term of the concession

### Credit challenges

**Execution risks:** The project is exposed to moderate execution risks since project was at 50.4% completion as of March 31, 2021. Thus, execution pace will have to be ramped up over the coming months to bridge the gap. The current scheduled completion date for project is August 2021, however, company is expecting extension of timeline till March 2022

**Project returns exposed to interest-rate risk** – HMP Contractors Pvt Ltd's cash flows are exposed to an interest-rate risk considering the floating nature of interest rates for the project loan. However, the risk is mitigated to some extent as the interest on the outstanding annuities is linked to the Bank Rate.

### Liquidity position of HCPL: Stretched

HCPL's liquidity is stretched. The average fund-based limit utilisation remained high at ~95% for the last 12 months ending in May 2021. The slow pace of bill realisation owing to the post pandemic budgetary constraints of various authorities and adverse medical situation also contributed to administrative delays in fund disbursements resulting in increase in working capital intensity. With no major capex requirements, the debt repayment of ~Rs. 5.18 crore for FY2021 can be met through its cash flows from operations

## Liquidity position of HMP Contractors Pvt Ltd: Stretched

HMP Contractors Pvt Ltd's liquidity is stretched. The pending cost of Rs 48.1 crore as of March 31, 2021, will be funded through PWD Grant of 38.6 crore and debt disbursement of Rs 9.5 crore. As on June 30, 2021, ~Rs 5 crore of grant is yet to be received and has remained due for 139 days. Timely receipt of the pending grants from the authority will be crucial to complete the project as per timelines

### Rating sensitivities

**Positive factors:** If the project receives first semi-annuity in a timely manner along with creation of DSRA. Further, any improvement in the credit profile of the guarantor could also result in rating upgrade

**Negative factors:** Pressure on rating could arise if the project progress is significantly delayed resulting in substantial time and cost overruns. Any deterioration in the credit profile of the guarantor or any weakening of linkages with the parent company HCPL.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for BOT (Hybrid Annuity Model) Roads</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group Support	Parent/Group Company: HCPL The assigned ratings are based on corporate guarantee extended by HCPL
Consolidation/Standalone	Standalone

## About HMP Contractors Pvt Ltd

Incorporated in May, 2018 HMP Contractors is a SPV formed by Harsh Construction Private Limited, Nashik (HCPL), Pawar Patkar Constructions Private Limited, M.T. Patil Builders & Contractors Private Limited to specifically undertake a road improvement project through a concession agreement awarded by Public Works Department, Maharashtra. Government of Maharashtra through Public Works Department, Maharashtra is engaged in development of State Highways under Maharashtra Road Improvement Programme (MRIP). In this context, Maharashtra State PWD and HMP Contractors Private Limited entered into Concession Agreement for two-laning of the two road sections under the work package NSK-57 in the State of Maharashtra. The total Concession period is 12 years including operation period of 10 years and construction period of 2 years.

## About HCPL

Founded in 1990 by Mr. Vilas K. Birari as a proprietorship firm, HCPL was incorporated in 2009. HCPL is a construction company based at Nashik, in Maharashtra, and undertakes construction of buildings such as housing projects, 3 commercial complexes, airport buildings healthcare facilities, and educational institutions for government agencies as well as private parties. It is registered as a Class-1A contractor with PWD Maharashtra.

[Rating rationale of HCPL](#)

### Key financial indicators (audited)

Key financial indicators are not applicable as HMP Contractors Pvt Ltd is a project-stage company.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				July 02, 2021	May 29, 2020	Feb 14, 2020	-	
1 Term Loan	Long-term	24.50	15.0	[ICRA]BBB(CE)(Negative)	-	-	-	
2 Unallocated	Long-term/short term	0.00		Provisional [ICRA]BBB(CE) (Negative)/Provisional [ICRA]A3+(CE); withdrawn	Provisional [ICRA]BBB (CE)(Negative)/ Provisional [ICRA]A3+(CE)	Provisional [ICRA]BBB (CE)(Stable)/ Provisional [ICRA]A3+(CE)	-	
3 Non-fund Based Limit	Long-term /short term	(1.31)**		[ICRA]BBB(CE)(Negative) / [ICRA]A3+(CE)	-	-	-	

\*\* - sub-limit of Term Loan limit of Rs. 24.50 crore

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Term Loan	Simple
Unallocated	NA
Non-fund Based Limit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	FY2021	NA	FY2030	24.50	[ICRA]BBB(CE)(Negative)
NA	Unallocated	NA	NA	NA	8.50	Provisional [ICRA]BBB(CE) (Negative)/Provisional [ICRA]A3+(CE); withdrawn
NA	Non-fund Based Limit	NA	NA	NA	(1.31)**	[ICRA]BBB(CE)(Negative)/[ICRA]A3+(CE)

Source: Company, \*\* - sub-limit of Term Loan limit of Rs. 24.50 crore

**Annexure-2: List of entities considered for consolidated analysis**

Not Applicable

## Corrigendum

Rationale dated July 02, 2021 has been revised for changes pertaining to addition of methodology link in the analytical approach table.

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### Branches



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