

February 14, 2020

## HMP Buildcon Private Limited: Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund Based Limits- Term Loan	60.00	[ICRA]BBB (CE)(Stable); Assigned
Non- Fund Based Limits	(12.84)**	[ICRA]BBB (CE)(Stable)/ [ICRA]A3+(CE); Assigned
<b>Total</b>	<b>60.00</b>	
<b>Rating Without Explicit Credit Enhancement</b>		<b>[ICRA]BBB-/ [ICRA]A3</b>

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

#### For the [ICRA]BBB(CE)(Stable)/ [ICRA]A3+(CE) ratings

The ratings for the Rs. 60.00 crore bank facilities of HMP Buildcon Private Limited (HMP Buildcon) are based on the strength of corporate guarantee provided by Harsh Constructions Pvt. Ltd. (HCPL, the guarantor rated at [ICRA]BBB+(Stable)/[ICRA]A2). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, HCPL.

#### 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)(Stable)/ [ICRA]A3+(CE) to the said instruments against the unsupported rating of [ICRA]BBB- (Stable)/[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 related to the credit enhancement, as specified in the guaranteed documents

- The guarantors would be the principal debtors jointly with the borrower and accordingly, the guarantors shall not be entitled to and also hereby waive all the rights conferred on the guarantors under sections 131, 133, 134, 135, 139, 140 and 141 of the Indian Contract Act, 1872
- The guarantee is a continuing one for all the amounts advanced to the borrower under the said facilities as also for all interest, costs, charges, expenses and/ or other monies which may from time to time become due and remain unpaid to the bank

- *The guarantors shall forthwith on demand by the bank deposit such sum or security as the bank may specify for the due fulfilment of their obligations*

## 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+(Stable)/[ICRA]A2). The rating for the bank facilities of Rs. 70.0 crore is based on the strength of the corporate guarantee provided by HCPL.

[Rating rationale of HCPL](#)

### Liquidity position: Stretched

HCPL's liquidity is **stretched** on account of blockage of working capital (as reflected by high average fund-based limits utilisation). In FY2020 and FY2021, the cashflows from operations are expected to be healthy and sufficient to service the debt obligations. However, dependence of bank borrowing is expected to increase for supporting the construction work related to the HAM SPVs. Therefore, ability of the company to secure timely enhancement in working capital limits would be important to support the expected growth in turnover.

### Rating sensitivities

**Positive Trigger:** If there is any improvement in the credit profile of the guarantor.

**Negative Trigger:** Any deterioration in the credit profile of the guarantor or any weakening of linkages with the parent company HCPL or in case of revocation of corporate guarantee.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Construction Entities</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Parent/Group Company: HCPL The assigned ratings are based on corporate guarantee extended by HMP Buildcon's parent company – HCPL
Consolidation/Standalone	Standalone

### About the company

Incorporated in May, 2018 HMP Buildcon 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 Buildcon Private Limited entered into Concession Agreement for two-laning of the two road sections under the work package NSK-54 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 the Guarantor: 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, commercial complexes, airport buildings healthcare facilities, and educational institutions for government agencies as well as private parties. It is registered as 'Class-1A Contractor' with PWD Maharashtra.

## Key financial indicators (audited, standalone)

Key financial indicators are not applicable as HMP Buildcon 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 (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY20 19	FY20 18	FY20 17
					14-Feb-2020			
1	Term Loan	Long Term	60.00	0.0	[ICRA]BBB (CE)(Stable)	-	-	-
2	Non- Fund Based Limits	Long Term/ Short Term	(12.84)**	-	[ICRA]BBB (CE)(Stable)/ [ICRA]A3+(CE)	-	-	-

Amount in Rs. crore; \*\* sub-limit of Term Loan limit of Rs. 60.0 crore

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2019		FY2030	60.00	[ICRA]BBB (CE)(Stable)
NA	Non- Fund Based Limits				(12.84)**	[ICRA]BBB (CE)(Stable)/ [ICRA]A3+(CE)

\*\* sub-limit of Term Loan limit of Rs. 60.0 crore  
 Source: HMP Buildcon Private Limited

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

Not applicable

## Analyst Contacts

### Shubham Jain

+91 124 4545 306  
[shubhamj@icraindia.com](mailto:shubhamj@icraindia.com)

### Rajeshwar Burla

+91 40 4067 6527  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

### Sandhya Negi

+91 20 6606 9925  
[sandhya.negi@icraindia.com](mailto:sandhya.negi@icraindia.com)

## Relationship Contact

### Jayanta Chatterjee

+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

### Ms. Naznin Prodhani

Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents