

February 14, 2020

HMP Contractors Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term / Short Term - Unallocated	33.00	Provisional [ICRA]BBB (CE)(Stable)/ Provisional [ICRA]A3+(CE); Assigned
Total	33.00	

Rating Without Explicit Credit Enhancement **Provisional [ICRA]BBB-/ Provisional [ICRA]A3**

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 Provisional [ICRA]BBB(CE)(Stable)/ Provisional [ICRA]A3+(CE) ratings

The ratings for the Rs. 33.00 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+(Stable)/[ICRA]A2). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, HCPL. The above ratings are provisional and would be converted into final upon completion of review of the executed loan documentation in line with the draft terms shared with ICRA. ICRA would keep the rating under review in line with its published methodologies/policies.

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 Provisional [ICRA]BBB(CE)(Stable)/ Provisional [ICRA]A3+(CE) to the said instruments against the unsupported rating of Provisional [ICRA]BBB- (Stable)/ Provisional [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 proposed bank facilities of Rs. 33.0 crore is based on the strength of the proposed corporate guarantee to be 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	Corporate Credit Rating Methodology Rating Methodology for Construction Entities Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: HCPL The assigned ratings are based on corporate guarantee extended by HMP Contractor's parent company – HCPL
Consolidation/Standalone	Standalone

About the company

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 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

Key financial indicators are not applicable as HMP Contractors 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	Unallocated	Long Term / Short Term	33.00	-	Provisional [ICRA]BBB (CE)(Stable)/ Provisional [ICRA]A3+(CE)	-	-	-

Amount in Rs. crore; ** sub-limit of Term Loan limit of Rs. 33.0 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

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	39.00	Provisional [ICRA]BBB (CE)(Stable)/ Provisional [ICRA]A3+(CE)

*** sub-limit of Term Loan limit of Rs. 33.0 crore
Source: HMP Contractors Private Limited*

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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About ICRA Limited:

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