RATING RATIONALE

Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL)

Brickwork Ratings assign ratings for the Bank Loan Facilities of ₹ 39.70 Crores of Maa Harsiddhi Infra Developers Pvt Ltd (MHIDPL or the ‘Company’).

Particulars:

<table>
<thead>
<tr>
<th>Facility**</th>
<th>Amount (₹ Cr)</th>
<th>Tenure</th>
<th>Rating*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund based</td>
<td>13.70</td>
<td>Long Term</td>
<td>BWR BB+ Stable</td>
</tr>
<tr>
<td>Non Fund Based</td>
<td>26.00</td>
<td>Long Term</td>
<td>BWR A4+</td>
</tr>
<tr>
<td>Total</td>
<td>39.70</td>
<td></td>
<td>INR Thirty Nine Crores Seventy Lakhs Only</td>
</tr>
</tbody>
</table>

*Please refer to BWR website www.brickworkratings.com for definition of the ratings
** Details of Bank facilities is provided in Annexure-I

RATING ACTION: Ratings Assigned

BWR has essentially relied upon audited financial results of Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) upto FY19 & projection up to FY21, publicly available information or clarification/information provided by the Company.

The rating assigned to the bank facilities of Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) factors the experience of the promoters with an established track record of the company in implementation and operations of power electrification industry, established customer base and current order book position. The rating also factors into a moderate financial risk profile.

The ratings are however, constrained on account of the company's relatively modest scale of operations, high working capital intensity inherent in the EPC business due to the long execution period of the transmission & distribution projects; the long credit periods offered to customers and the retention money requirement that is released when the orders are completed, presence in the highly fragmented industry characterized by presence of both organised and unorganised players resulting in a stiff competition and the susceptibility to volatility in prices. The company’s profit margins have remained low on account of the intensely competitive nature of business & company is also exposed to project execution risk.
The ‘Stable’ outlook indicates a low likelihood of a rating change over the medium term. BWR believes that Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Established track record of the company with experienced management: Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) was incorporated in the year 2010. The promoters have around decades of experience in executing turnkey projects in the electrification industry, the company has executed various projects for government as well as private sector clients. The experience of the promoters has helped the company in procuring and executing work contracts.

Healthy order book position provides near-to-medium term revenue visibility: Company had a comfortable order book position amounting to Rs.165.36 Crs for FY 20 & 21 indicating revenue visibility in the medium term with the projects awarded from the Government. MHIDPL’s current order book consists of orders from various government-owned companies largely mitigating the counterparty credit risk.

Moderate financial risk profile: The gearing ratio was moderate at 0.96 time as on March 31, 2019. The debt coverage indicators of the Company remained moderate with Interest coverage at 1.95x as on March 31, 2019. Going ahead ISCR is expected to improve mainly on account of better profitability.

Credit Risks:

Moderate Scale of operations & declining operating margin: The Company has relatively low scale of operations as indicated by revenue of Rs 50.86 Crs limiting economies of scale. However, the company revenue is supported by an order backlog of Rs 165.36 Crs providing some comfort for revenue growth in the near term.

High working capital intensity in the EPC business: The company’s working capital intensity remains high due to the long execution period of the transmission & distribution projects, long credit periods offered to customers, and the retention money requirement that is released with linkage to completion of orders. As a result, Gross current assets were high at 324 days as on March 31, 2019, due to receivables of around 250 days & inventory days remained low in the range of 19 days. Working capital requirement is primarily comprises of funding requirement for retention money, margin money towards various contracts and for non-fund-based facilities, resulting in a high working capital utilisation.

Stiff competition and Elongated receivables are adversely affecting profitability margin: Being in tender based business, the Company has to maintain competitive advantage to achieve bid in stiff competition environment, being in government related projects, its receivables are
more than six months which is due to retention money with the respective departments. However, retention money will be released against performance bank guarantee. Hence, leading to elongated working capital.

Cash flows vulnerable to delays in payments from clients which are largely government agencies or public sector undertakings: MHIDPL’s client is mainly government bodies and public sector entities which are subject to procedural delays, if there are any delay in releasing of payment, it might adversely impact the cash flow of the Company.

Intense competition in transmission & distribution business: The Company faces stiff competition from other players in the transmission and distribution segment industry, which limits its pricing flexibility, thereby putting pressure on its revenues and margins. As a result, the company faces intense competition from unorganised as well as organised players in the industry.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored into a standalone business and financial risk profile of the Company along with the business Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) to arrive at the rating as they are engaged in a similar line of business. Reference may be made to the Rating Criteria hyperlinked below.

RATING SENSITIVITIES

Going forward the ability of the Company to scale up its operations with revenue visibility for the next 2-3 years, strong execution capabilities as well as an improving diversity in the business segments & Geographical Concentration and improve profitability leading to improvement in overall financial risk profile of the company and efficiently manage its working capital would be key rating sensitivities.

Positive: Significant and sustained increase in the scale of operations & profit along with an improvement in the overall credit metrics and better liquidity management & improvement in capital structure will be positive for the ratings.

Negative: The rating will be downgraded in case of a significant downturn in the industry leading to a decline in operational/financial performance of the company, significant decline in profitability & higher working capital requirements negatively impacting liquidity & deterioration in overall credit metrics.

LIQUIDITY POSITION - Adequate

The Company’s liquidity position remains comfortable as indicated by net cash accruals of Rs.1.95 crores in FY19. The company has long-term debt obligations of around Rs 1.41 crore in
fiscal 2020 and Rs 0.87 crore in fiscal 2021 and no major capital expenditure plans. The company has reported a current ratio at 2.11x as on FY19. Further, the Cash Credit average utilization is ~93% over the last 6 months and Cash and cash equivalents were at around Rs 3.77 Crs as on March 31 2019. Company has availed the Covid-19 emergency credit line from banks and is likely to avail the moratorium, which is expected to help it in tiding over the current situation to some extent.

COMPANY PROFILE

Maa Harsiddhi Infra Developers Pvt Ltd. (MHIDPL) was Incorporated in 2010, MHIDPL is a Raipur, Chhattisgarh based private limited company. MHIDPL undertakes turnkey construction EPC projects for electrification contracts from respective state discom e.g. Chhattisgarh State Power Distribution Co. Ltd. (CSPDCL, CG), Tripura State Electricity Co. Ltd., West Tripura (TSECL), Jharkhand Bijli Vitran Nigam Ltd, Ranchi, Jharkhand (JBVNL). MHIDPL promoted by Mr K B Ella Rao & Smt. K.Prasanna.

KEY FINANCIAL INDICATORS (in ₹ Cr)

<table>
<thead>
<tr>
<th>Key Parameters</th>
<th>Units</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>₹ Cr</td>
<td>70.33</td>
<td>50.86</td>
</tr>
<tr>
<td>EBITDA</td>
<td>₹ Cr</td>
<td>5.17</td>
<td>4.87</td>
</tr>
<tr>
<td>PAT</td>
<td>₹ Cr</td>
<td>2.34</td>
<td>1.75</td>
</tr>
<tr>
<td>Tangible Net worth</td>
<td>₹ Cr</td>
<td>11.33</td>
<td>16.48</td>
</tr>
<tr>
<td>Total Debt/Tangible Net worth</td>
<td>Times</td>
<td>1.18</td>
<td>0.96</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>Times</td>
<td>1.75</td>
<td>2.11</td>
</tr>
</tbody>
</table>

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: N.A
RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Instrument / Facilities</th>
<th>Tenure (Long Term/ Short Term)</th>
<th>Current Rating</th>
<th>Amount (₹ Cr)</th>
<th>Rating^</th>
<th>Rating History</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fund Based</td>
<td>Long Term</td>
<td>BWR BB+</td>
<td>13.70</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>2</td>
<td>Non Fund Based</td>
<td>Short Term</td>
<td>BWR A4</td>
<td>26.00</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>39.70</td>
<td></td>
<td>INR Thirty Nine Crores Seventy Lakhs Only.</td>
</tr>
</tbody>
</table>

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria:

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt

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ANNEXURE I

Details of Bank Facilities rated by BWR

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Bank</th>
<th>Type of Facilities</th>
<th>Long Term (₹ Cr)</th>
<th>Short Term (₹ Cr)</th>
<th>Total (₹ Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank Of Baroda (Dena Bank)</td>
<td>Cash credit</td>
<td>8.70</td>
<td>-</td>
<td>8.70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank Guarantee</td>
<td>-</td>
<td>10.00</td>
<td>10.00</td>
</tr>
<tr>
<td>2</td>
<td>Yes Bank</td>
<td>Cash credit</td>
<td>5.00</td>
<td>-</td>
<td>5.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bank Guarantee</td>
<td>-</td>
<td>16.00</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>39.70</strong></td>
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</tbody>
</table>

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