

## Maruti Construction Co.

March 02, 2022

### Ratings

| Facilities/Instruments       | Amount<br>(Rs. crore)   | Rating <sup>1</sup>  | Rating Action  |
|------------------------------|---|--|--|
| Long Term Bank Facilities    | 2.00  | <b>CARE B; Stable;<br/>ISSUER NOT COOPERATING*<br/>(Single B; Outlook: Stable<br/>ISSUER NOT COOPERATING*)</b> | Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities   | 7.95  | <b>CARE A4;<br/>ISSUER NOT COOPERATING*<br/>(A Four<br/>ISSUER NOT COOPERATING*)</b>                           | Rating moved to ISSUER NOT COOPERATING category  |
| <b>Total Bank Facilities</b> | <b>9.95<br/>(Rs. Nine Crore and<br/>Ninety-Five Lakhs Only)</b> |  |  |

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from Maruti Construction Co. (MCC) to monitor the rating vide e-mail communications dated October 08, 2021, October 12, 2021, January 31, 2022, February 09, 2022, February 14, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on MCC's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING /CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision in the rating assigned to the bank facilities of MCC is on account of non-availability of requisite information.

### Detailed description of the key rating drivers

At the time of last rating on March 17, 2021 the following were the rating strengths and weaknesses:

#### Key Rating Weaknesses

##### **Significant decline in scale of operations coupled with moderate profitability**

During FY20, MCC's scale of operations declined by 42% marked by TOI of Rs. 45.92 crore (Rs.78.80 crore during FY19) on the back of slow pace of execution of work on hand as well as lower billing in the months of February and March 2020. Further, its scale of operations declined in 11MFY21 (Prov.) marked by TOI of Rs.23.68 crore due to lockdown and cessation of work for few months due to Covid pandemic. The firm continued to report moderate operating margin at 8.17% in FY20 as compared to 6.93% in FY19 which is on account of lower cost of sales. Net profit margin declined in line with the fall in revenue and stood at 3.14% in FY20 as against 5.09% in FY19. GCA also declined and stood at Rs. 2.22 crore in FY20 (Rs. 4.57 crore in FY19).

##### **Proprietorship nature of constitution**

MCC being a proprietorship entity, the risks associated with withdrawal of proprietor's capital exists. The firm is exposed to inherent risk of the capital being withdrawn at a time of personal contingency as it also has limited ability to raise capital and poor succession planning may result in dissolution of the firm.

##### **Presence in competitive construction industry and tender driven nature of business**

MCC participates in the tender invited by government departments of various states. Hence, the entire business prospects are highly dependent on successful accepted bids. Further, the construction industry is fragmented in nature with a large number of medium scale players present at the regional level coupled with the tender driven nature of the construction contracts poses huge competition and puts pressure on the profitability margins of the players.

#### Key Rating Strengths

##### **Experienced proprietor with established track record of operations**

MCC was formed in the year 2006 as a partnership firm and later converted into proprietorship firm in year 2008 by Mr. Dhiraj Gorasia. The firm is engaged in civil construction works for various government departments. Mr. Dhiraj Gorasia has experience of over two decades in the civil construction industry and looks after the overall management of the firm. The firm has

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

established track record of operations of over a decade and half which helps the firm to pocket the tenders invited by various government entities.

#### ***Moderate capital structure and debt coverage indicators***

MCC's capital structure continued to remain moderate marked overall gearing of 1.70x (1.75x in FY19) on the back of marginal decline in total debt level. The firm's debt coverage indicators declined in line with the fall in PBILDT as well as gross cash accruals, albeit remained moderate. Interest coverage and TD/GCA stood at 3.63x and 10.14 years respectively as on March 31, 2020. (6.14x and 5.12 years as on March 31, 2019).

#### ***Moderate order book position***

MCC's has an unexecuted order book position at Rs.98.38 crore as on February 28, 2021. These orders are mainly from government entities including urban local bodies and state government undertakings, thus limiting the counter-party credit risk for the firm. However, order book concentration remained high with top five orders forming around 79% of the unexecuted order book.

**Analytical approach:** Standalone

#### **Applicable criteria**

**Policy in respect of Non-cooperation by issuer**

**Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings**

**Policy on default recognition**

**Rating Methodology – Construction Sector**

**Financial ratios – Non-Financial Sector**

**Criteria for Short Term Instruments**

#### **About the firm**

MCC was formed in the year 2006 as a partnership firm, promoted by Mr. Dhiraj Gorasia and Mr. Pankaj Kevadiya, later on converted into proprietorship firm managed by Mr. Dhiraj Gorasia since 2008 and is engaged into the business of civil construction work. The firm undertakes civil construction work and also sublet to sub-contractors majorly pertaining to construction of road, drainage and water supply largely for State Government authorities of Gujarat, Madhya Pradesh and Odisha. MCC is Class 'AA' registered contractor with state governments of Gujarat and Madhya Pradesh. The execution time line of its orders on hand largely remains in the range of 6 – 12 months.

| <b>Brief Financials (Rs. crore)</b> | <b>FY20(A)</b> | <b>FY21(A)</b> | <b>9MFY22(Prov.)</b> |
|-------------------------------------|----------------|----------------|----------------------|
| Total operating income              | 45.92          | NA             | NA                   |
| PBILDT                              | 3.75           | NA             | NA                   |
| PAT                                 | 1.44           | NA             | NA                   |
| Overall gearing (times)             | 1.70           | NA             | NA                   |
| Interest coverage (times)           | 3.63           | NA             | NA                   |

A: Audited, Prov.: Provisional, NA: Not available

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

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this firm:** Please refer Annexure-4

**Annexure-1: Details of Instruments / Facilities**

| Name of the Instrument             | ISIN | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|------------------------------------|------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit        | -    | -                | -           | -             | 2.00                          | CARE B; Stable; ISSUER NOT COOPERATING*   |
| Non-fund-based - ST-Bank Guarantee | -    | -                | -           | -             | 7.95                          | CARE A4; ISSUER NOT COOPERATING*          |

\*Issuer did not cooperate; based on best available information

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/ Bank Facilities | Current Ratings |                                |   | Rating history                            |   |   |   |
|---------|---|-----------------|--------------------------------|---|---|---|---|---|
|         |   | Type            | Amount Outstanding (Rs. crore) | Rating                                  | Date(s) & Rating(s) assigned in 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1       | Fund-based - LT-Cash Credit             | LT              | 2.00                           | CARE B; Stable; ISSUER NOT COOPERATING* | -   | 1)CARE B+; Stable (17-Mar-21)             | 1)CARE BB-; Stable (24-Mar-20)            | -   |
| 2       | Non-fund-based - ST-Bank Guarantee      | ST              | 7.95                           | CARE A4; ISSUER NOT COOPERATING*        | -   | 1)CARE A4 (17-Mar-21)                     | 1)CARE A4 (24-Mar-20)                     | -   |

\*Issuer did not cooperate; based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not applicable

**Annexure-4: Complexity level of various instruments rated for this firm**

| Sr. No | Name of instrument                 | Complexity level |
|--------|------------------------------------|------------------|
| 1      | Fund-based - LT-Cash Credit        | Simple           |
| 2      | Non-fund-based - ST-Bank Guarantee | Simple           |

**Annexure-5: Bank Lender Details for this firm**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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