

Man Infraconstruction Limited

November 17, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	32.50	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long-term / Short-term bank facilities	442.00 (Enhanced from 162.00)	CARE A; Stable / CARE A2+ (Single A ; Outlook: Stable/ A Two Plus)	Reaffirmed
Total bank facilities	474.50 (₹ Four hundred seventy-four crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation in the ratings of the bank facilities of Man Infraconstruction Limited (MIL) reflects steady improvement in operational metrics of real estate sector which remained in line with the expectation of CARE Ratings Limited (CARE Ratings). MIL has shown a continuous improvement in project progress and has reported healthy sales velocity in all its ongoing projects along with steady flow of customer advances which negates any risk of the project's saleability and completion. The ratings continue to derive strength from the long track record and extensive experience of the promoters in the Mumbai real estate sector, diversified portfolio of the ongoing projects, healthy order book position and strong liquidity.

The ratings, however, continue to remain constrained by geographical and segmental concentration risk of its revenue profile, exposure to group entities and presence in the inherently cyclical real estate industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Growth in its order book resulting in revenue visibility of more than 3 times of its total operating income (TOI) and successful execution thereof on a sustained basis.
- Improvement in the customer advances resulting in minimum Quarterly Cash Coverage Ratio (CCR) above 1.50x.
- Committed receivables as a percentage of pending project cost and debt outstanding continues to remain more than 90%.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Achievement of lower-than-anticipated collections leading to deterioration in CCR below 1.25x
- Deterioration in the overall gearing (including corporate guarantee extended) above unity.
- Deterioration in liquidity (free cash & bank balance goes below Rs.100 crore) on consolidated basis.

Detailed description of the key rating drivers

Key rating strengths

Healthy growth in revenue for FY22 likely to continue for FY23 and for FY24

MIL, at a consolidated level has shown a substantial growth in top line for FY22 with operating revenue of ₹961.48 crore; (FY21: ₹427.15 crore). The revenue growth in FY22 was mainly on account of healthy revenue reported in the real estate segment which improved to ₹639 crores in FY22 from ₹265 crore in FY21. MIL continues to show healthy revenue growth in H1FY23 with consolidated operating revenue of ₹753 crore (For H1FY22: ₹401 crore). In Q1FY23 MIL won a contract worth of ₹1,250 crore (to be executed in next 2,5 to 3 years) for supplying material and labour for reclamation works by Bharat Mumbai Container Terminals Private Limited (BMCTPL), a subsidiary of PSA International and work worth of around ₹125 crore has already been done. MIL's real estate portfolio has shown a steady sale of inventory from its ongoing projects. Out of its total saleable area, around 71% has already been sold.

CARE Ratings believes that with a healthy order book of ₹1,662 crore as on June 30, 2022 which is around 2x of FY22 revenue; MIL is likely to show healthy revenue growth in FY23 and in FY24.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate real estate project implementation risk:

As on June 30, 2022, MIL's subsidiaries/associates have four under-construction real estate projects. 'Aaradhya HighPark- Phase I' and 'Aaradhya Oneearth' which were launched in September 2018 and September 2020 respectively; have incurred total project cost of around 82% and 61% (42% & 35% during June 2021) respectively. The other two projects, 'Atmosphere- Phase II' and 'Aaradhya Evoq' were launched in September 2020 and April 2022 and have completed 41% and 36% of the work respectively. CARE Ratings notes MIL's healthy committed receivables against its pending project cost + debt which stood 78% as on June 30, 2022. CARE believes that, considering strong inhouse project execution capability of the group, achievement of financial closure and healthy visibility of customer advances from the ongoing projects, the implementation risk is reduced to a large extent.

Comfortable leverage position in FY22 likely to remain in midterm:

On a consolidated basis, as on March 31, 2022, while total debt of the company increased to ₹557 crore (FY21-end: ₹506 crore), external long-term borrowings remained largely stable at ₹377 crore (FY21-end: ₹368 crore) on net worth of ₹929 crore as on March 31, 2022 (₹693 crore as on March 31, 2021). As on H1FY23-end, total debt has reduced to ₹456 crore due to pre-repayment of the certain bank facilities. There are no immediate repayments due in FY23.

The overall gearing ratio (consolidated) stood at 0.60 times as on March 31, 2022 (0.73x as on March 31, 2021). MIL, on standalone basis continues to remain debt free (except mobilisation advances) with a strong net worth base. Furthermore, the adjusted debt, factoring corporate guarantees extended by MIL to its subsidiaries/associate has increased to ₹416 crore as on March 31, 2022, from ₹369 crore as on March 31, 2021. However due to healthy net worth, the adjusted overall gearing remained healthy at 0.54 for FY22; (FY21: 0.51). CARE believes that MIL's leverage position will remain comfortable in mid term mainly on account of absence of any major debt led capex and healthy net worth position.

Experienced promoters and established track record of operations:

Mumbai-based MIL is the flagship company of the Man group promoted by Parag Shah (Chairman Emeritus), who has over three decades of experience in the construction industry. Currently the company is managed by his son; Manan Shah; Managing Director who spearheads the real estate development and EPC division of the company. The company has in-house construction team with strong experience in execution of real estate projects as well as port infrastructure projects and established track record of over 50 years in the infrastructure industry.

Key rating weaknesses**Geographically & segmentally concentrated revenue profile:**

More than 70% of MIL's order book as on June 30, 2022, on consolidated basis consists of EPC projects. Hence, any downturn in the sector or delay in project execution may impact the operational performance of the company. Nevertheless, MIL enjoys the benefits in terms of raw material sourcing, contractors, and manpower management due to its long presence in the EPC/real estate sector mitigates the said risk to some extent.

Investment in USA-based subsidiary:

As a diversification strategy MIL has invested around ₹148 crore in the USA real estate market through its wholly owned subsidiary MICL Global. MICL Global has tied up with local partners (Location Ventures) and reputed brand partners – the Marriott group. MICL Global has recently launched 'Edition Residences' – first branded project of 'Marriott International' in Fort Lauderdale, Florida, USA. CARE Ratings believes USA being a new territory for MIL; its ability to achieve timely and healthy returns from the investment is a key rating sensitivity.

Inherent risk associated with real estate sector:

The real estate sector in India is highly fragmented with most of the real estate developers having a city-specific or region-specific presence. MIL is also exposed to the cyclicity associated with the real estate sector which has direct linkage with the general macroeconomic scenario.

Liquidity: Strong

At FY22-end, MIL had cash and cash equivalents of 209.63 crore (FY21: ₹77.43 crore) along with ₹146 crore (FY21: ₹129.76 crore) worth of unencumbered fixed deposits. As on September 30, 2022; MIL's total cash and cash equivalent improved further to ₹574.5 crore.

The strong liquidity also reflected in MIL's total pending project cost plus debt against its committed receivable position as on June 22. It had committed receivables of ₹1,071 crore against the (pending cost) of ₹826 crore from its ongoing projects. CARE Ratings expects the company's liquidity position to remain strong over the medium term, supported by its healthy saleability and collections. As on September 30, 2022; MIL's consolidated cash flow from operation stood at ₹ 346.83 crore; (September 2021: ₹190 crore) mainly on account of improvement in absolute profitability.

Analytical approach

MIL has 17 subsidiaries, three associates and one JV as on March 2022. For analysis, CARE Ratings has considered operational support, equity commitments/corporate guarantee required to be extended by MIL to its subsidiaries & associates along with MIL's standalone financials. List of entities getting consolidated in FY22 audited financials of MIL is placed as Annexure-5.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial ratios – Non financial Sector](#)

[Liquidity analysis of Non-financial sector entities](#)

[Rating outlook and Credit watch](#)

[Short Term Instruments](#)

[Rating methodology for Real estate sector](#)

[Construction](#)

About the company

Incorporated on August 16, 2002, MIL is engaged in EPC of residential & commercial real estate and infrastructure projects. MIL is promoted by Mr Parag Shah & his son; Mr Manan Shah. MIL, later ventured into real estate sector as a developer under its own brand name in the residential segment. The company through its subsidiaries/associates enters into joint development agreement with land owner(s)/tenant(s) for developing real estate projects in MMR. Till date MIL has completed nine projects having RERA Carpet area of ~12.70 lakh square feet (Isf) under its group.

Brief Financials (₹ crore) (Standalone)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022 (UA)
Total operating income	119.61	236.58	219.9
PBILDT	3.74	61.11	61.30
PAT	92.42	105.64	89.47
Overall gearing (times)	0.00	0.00	0.01
Interest coverage (times)	3.56	186.88	58

A: Audited

UA: Unaudited

Brief Financials (₹ crore) (Consolidated)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022 (UA)
Total operating income	427.15	961.48	753.22
PBILDT	97.79	247.49	160.66
PAT	33.34	298.5	106.8
Overall gearing (times)	0.73	0.60	0.47
Interest coverage (times)	1.69	4.09	5.48

A: Audited

UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	32.50	CARE A; Stable
Non-fund-based-LT/ST		-	-	-	442.00	CARE A; Stable / CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	32.50	CARE A; Stable	-	1)CARE A; Stable (18-Aug-21) 2)CARE A-; Stable (06-Apr-21)	-	1)CARE A-; Stable (27-Mar-20)
2	Non-fund-based-LT/ST	LT/ST*	442.00	CARE A; Stable / CARE A2+	-	1)CARE A; Stable / CARE A2+ (18-Aug-21) 2)CARE A-; Stable / CARE A2+ (06-Apr-21)	-	1)CARE A-; Stable / CARE A2+ (27-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
Capital expenditure/investment	Company shall not invest any amount for fixed assets without any long-term arrangement and without maintaining current Ratio of 1.25x
Capital structure	Company should not affect any change in capital structure or formulate any scheme of amalgamation or reconstitution without prior approvals from lenders

B. Non-financial covenants	
Undertaking of guarantee obligation	Company should not undertake guarantee obligation on behalf of any other concerns without prior approval of the lender
Issuance of Bank guarantee on behalf of JV	In case of Bank Guarantee (BG) to be issued on behalf of Joint Venture, BG will be issued in case JV is not availing any bank facility and it will be restricted up to the extent of percentage shareholding of the Company

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based-LT/ST	Simple

Annexure-5: List of subsidiaries of MIL getting consolidated

Name of the entity	Subsidiary/ Associate/ Joint Venture	% Shareholding by MIL as on March 31, 2022.
MICL Global INC	Subsidiary	100%
MICL Realtors Private Limited (Formerly known as AM Realtors Private Limited	Subsidiary	100%
MICL Properties LLP	Subsidiary	99.99%
MICL Estates LLP	Subsidiary	99.99%
MICL Homes LLP	Subsidiary	99.99%
Man Vastucon LLP	Subsidiary	99.99%
MICL Developers LLP	Subsidiary	99.99%
MICL Creators LLP	Subsidiary	99.99%
Man Aaradhya Infraconstruction LLP	Subsidiary	98.0%
Starcrete LLP	Subsidiary	75%
Man Infra Contracts LLP	Subsidiary	70%
Manaj Infraconstruction Ltd	Subsidiary	64%
Manaj Tollway Pvt. Ltd.	Subsidiary	63%
Man Realtors & Holdings Private Ltd.	Subsidiary	62.79%
Manmantra Infracon LLP	Subsidiary	60%
MICL Builders LLP	Subsidiary	52.10%
Man Projects Ltd	Subsidiary	51%
Man Chandak Realty LLP	Joint Venture	50%
MICL Realty LLP	Associate	46%
Atmosphere Realty Pvt. Ltd.	Associate	17.5%
Platinumcorp Affordable Builders Private Limited	Associate	21.33%

Annexure-6: Bank lender details for this company

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

Note on complexity levels of the rated instruments: CARE Ratings 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 us:

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