Man Infraconstruction Limited (Revised)

September 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	32.50	CARE A; Positive	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	442.00	CARE A; Positive / CARE A1	Revised from CARE A; Stable / CARE A2+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgradation of the short-term rating to 'CARE A1' assigned to the short-term bank facilities of Man Infraconstruction Limited is on account of the sustenance of strong liquidity profile by the company in FY23 as well as Q1FY24. The free cash and bank balance as on June 30, 2023 stood at Rs.526 crore (for March 23: Rs 241.56 crore and March 22: Rs.355.51 crore). The company continued to maintain strong liquidity despite having multiple large-scale projects under execution.

The reaffirmation of the long-term rating assigned to the long-term bank facilities of Man Infraconstruction Limited (MIL) reflects steady improvement in the operational metrics of real estate segment 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 real estate sector, diversified portfolio of the ongoing projects, healthy order book position for the engineering, procurement & construction (EPC) segment and strong liquidity.

The ratings are constrained by the upcoming three high-ticket projects from FY24 onwards wherein achieving steady flow of customer advances along with achieving the envisaged construction timelines are yet to be established. Moreover, the ratings continue to factor in investment in USA-based subsidiary amounting to 21% of the net worth of the company, geographical and segmental concentration risk of its revenue profile, exposure to group entities and presence in the inherently cyclical real estate industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely execution and healthy collections from the upcoming projects resulting in improvement the in scale of operations while maintaining percentage of customer advances against pending project cost and debt outstanding at more than 60% for mid term.
- Significant reduction in client concentration in the EPC business in the standalone entity.

Negative factors

- Any material increase in client concentration in the EPC business in standalone entity.
- Increase in exposure to the overseas subsidiary to more than 25% of the consolidated tangible net worth.
- Receipt of customer advances from new upcoming projects below ₹300 crore in FY24.
- Deterioration in overall gearing (including corporate guarantee extended) above unity.

Analytical approach: Consolidated

MIL has 17 subsidiaries, three associates and one JV as on March 31, 2023. CARE Ratings has considered a consolidated approach while arriving at the ratings of MIL based on corporate guarantees extended to subsidiaries and strong business linkages between MIL and its subsidiaries and associates. Details of subsidiaries in annexure-6.

Outlook: Positive

CARE Ratings has revised the outlook of MIL from Stable to Positive with an expectation of robust growth in the revenue profile in FY24 and FY25 while maintaining strong leverage indicators.

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

Detailed description of the key rating drivers:

Key strengths

Healthy operational performance during FY23 and Q1FY24
MIL, at a consolidated revenue has shown a significant improvement in scale of operations with a topline of ₹1,889 crore as on March 31, 2023 (PY: ₹961 crore). The revenue growth in FY23 was majorly supported by healthy revenue share from the real estate segment which is reflected by steady sale of inventory from its ongoing projects where MIL sold more than 60% of the saleable area as on March 31, 2023. Hence, the real estate segment revenue improved 45% y-o-y basis to ₹935 crore as on March 31, 2023 (PY: ₹639 crore). MIL's revenue share from EPC segment stood at ₹900 crore (on a consolidated level) as on March 31, 2023 (PY: ₹218 crore). As on June 30, 2023, MIL has an orderbook of ₹1,265 crore which is expected to be executed in next couple of years. Furthermore, MIL continues to show healthy revenue growth in Q1FY24 with consolidated operating revenue of ₹524 crore (Q1FY23: ₹360 crore). MIL's top line is expected to cross ₹2,100 crore by FY25, driven by revenues from three new projects which are slated to be launched in Q3/Q4 FY24. CARE Ratings believes that given the track record of completed real estate projects MIL is likely to achieve revenue expectations for mid term.

Moderate real estate project implementation risk with steady accretion in customer advances in FY23
As on March 31, 2023, MIL's subsidiaries/associates have five under construction real estate projects. The total saleable area for the 5 projects is 23.21 lsf out of which 14.60 lsf is sold as on March 31, 2023. "Aaradhya Highpark (E and F wing) and "Aaradhya Oneearth" which were launched in September 2021 and September 2020 respectively; have incurred total project cost of around 68% and 86% respectively. The other two projects 'Atmosphere-Phase II' and 'Aaradhya Evoq' launched in September 2020 and April 2022 respectively have completed 56% and 45% respectively (41% and 36% during June 2022). MIL has recently launched new project named "Aaradhya Parkwood" near the Dahisar region. Out of the total carpet area of 5.31lsf, the company launched 3.01 lsf in December 2022. As on March 31, 2023, 17% of the total cost is incurred. As on June 30, 2023, MIL was able to sell around 57% of the total area launched for this new project. CARE Ratings notes MIL's healthy committed receivables against its pending cost + debt, which stood at 82% as on March 31, 2023. CARE Ratings believes that considering the 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 FY23 likely to continue in mid term
On a consolidated level, MIL's capital structure has improved significantly with overall gearing at 0.18x as on March 31, 2023 vis-à-vis 0.60x as on March 31, 2022. This improvement was on account of prepayment of high-cost debt during the year which is to the tune of ₹313 crore. As on March 31, 2023, the consolidated debt levels stood at ₹205 crore (FY22: ₹557 crore) and ₹204 crore as on Q1FY24. There are no scheduled repayments for FY24.
MIL, on a standalone basis continues to remain debt free (except mobilisation advances) with a strong networth base of ₹1,136 crore as on March 31, 2023 (PY: ₹1,000 crore). Furthermore, the adjusted debt, factoring corporate guarantees extended by MIL to its subsidiaries/associates declined significantly to ₹96 crore as on March 31, 2023 (PY: ₹416 crore) majorly on account of prepayments of debt in subsidiaries. Hence, the adjusted overall gearing improved to 0.11x as on March 31, 2023 vis-à-vis 0.54x as on March 31, 2022. CARE Ratings expects MIL's leverage position to remain comfortable in mid term on account of absence of any major debt-led capex and healthy networth position.
CARE Ratings believes that debt-averse strategy of the management of MIL is likely to maintain the leverage coverage indicators at a healthy level.

Key weaknesses

Investment in USA-based subsidiary amounting to 21% of the net worth of the company
As a diversification strategy MIL has invested around ₹250 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 or more than envisaged investment in an overseas entity is a key rating sensitivity.

Three marquee upcoming projects at a nascent stage
MIL is expected to launch three new projects in Q3/Q4 FY24 located in Tardeo, Vile Parle, and Ghatkopar region. The projects at Tardeo and Vile Parle are on DM model and the project in Ghatkopar will be under one of the subsidiaries of MIL. The total cash outlay is projected to be around ₹3,700 crore as against total expected sales of ₹6,000 crore. Considering size and initial stage of the on-going projects, the company is exposed to risk of approvals and timely execution. Ability of MIL to execute the real estate projects in a timely manner without cost overrun, achieve good sales momentum, and favorable collection efficiency is key rating monitorable.

Geographically & segmentally concentrated revenue profile
More than 70% of MIL's order book as on June 30, 2023, 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.

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 cyclicality associated with the real estate sector which has direct linkage with the general macroeconomic scenario.

Environment, social, and governance (ESG) risks

The activities in the real estate sector have an adverse impact on environmental and social aspects in light of high emission levels, waste generation, climate change, high labour intensity and related safety issues. MIL has an ongoing focus on strengthening its compliances of ESG parameters and resultantly it has taken various initiatives for efficiently managing ESG risks.

- Environmental - The company is engaged in various initiatives to reduce its greenhouse gas (GHG) emissions by using green cement for making concrete, low-emission materials, sustainable building materials, solar panels, and energy efficient machinery/equipment which reduces fuel and energy consumption.
- Social- Implementation of safety management system and contribution towards healthcare services for the employees are some of the initiatives.
- Governance- Code of conduct, Corporate Social Responsibility (CSR) and Whistleblower policies in place, Disclosure on Corporate Governance, etc

Liquidity: Strong
As of June 30, 2023, MIL had cash and cash equivalents of ₹526 crore (March 2023: ₹308 crore) along with ₹272.66 crore (FY22: ₹146 crore) worth of unencumbered fixed deposits. Additionally, MIL has earmarked bank deposits of ₹56.22 crore margin towards bank guarantee. The strong liquidity also reflected in MIL's committed customer receivables against total pending cost plus debt position which stood at 82% as on March 31, 2023. CARE Ratings expects the company's liquidity position to remain strong over the medium term, supported by its healthy saleability and collections. As on March 31, 2023, MIL's consolidated net cashflow from operations stood at ₹330 crore mainly on account of improvement in absolute profitability.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
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 and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

Incorporated on August 16, 2002, MIL was initially engaged in EPC of residential & commercial real estate and infrastructure projects. MIL is promoted by Parag Shah & his son; 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 landowner(s)/tenant(s) for developing real estate projects in MMR. Till date MIL has completed 13 projects having real estate regulatory authority (RERA) carpet area of around 15 lakh square feet (lsf) under its group.

Brief financials (₹ crore) (Standalone)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	236.58	797.79	362.62
PBILDT	61.11	140.22	87.33
PAT	105.64	165.99	63.32
Overall gearing (times)	0.00	0.01	NA
Interest coverage (times)	181.89	34.20	89.11

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Brief financials (₹ crore) (Consolidated)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	961.31	1890.00	509.66
PBILDT	247.44	413.78	123.17
PAT	298.52	288.96	82.44
Overall gearing (times)	0.60	0.18	NA
Interest coverage (times)	4.09	7.23	13.29

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results 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: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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; Positive
Non-fund-based-LT/ST		-	-	-	442.00	CARE A; Positive / CARE A1

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	32.50	CARE A; Positive	-	1)CARE A; Stable (17-Nov-22)	1)CARE A; Stable (18-Aug-21) 2)CARE A-; Stable (06-Apr-21)	-
2	Non-fund-based-LT/ST	LT/ST*	442.00	CARE A; Positive	-	1)CARE A; Stable / CARE A2+	1)CARE A; Stable / CARE A2+	-

				/ CARE A1		(17-Nov-22)	(18-Aug-21) 2)CARE A-; Stable / CARE A2+ (06-Apr-21)	

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure 5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of Subsidiaries as on March 31, 2023

Name of the entity	Subsidiary/ Associate/ Joint Venture	% Shareholding by MIL as on March 31, 2023
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	100%
Man Realtors & Holdings Private Ltd.	Subsidiary	62.79%
Manmantra Infracon LLP	Subsidiary	60%
MICL Builders LLP	Subsidiary	52.10%
Man Projects Ltd	Subsidiary	100%
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	33.33%

Note on the 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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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