

## MHK Buildcon LLP (Erstwhile M. H. Khanusiya)

February 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B-; Stable; ISSUER NOT COOPERATING* and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* and Withdrawn

Details of instruments/facilities in Annexure-1.

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

### Rationale and Key Rating Drivers

CARE Ratings Ltd has reaffirmed and withdrawn the rating assigned to the bank facilities of MHK Buildcon LLP (MBL) to CARE B-; Stable; Issuer Not Cooperating/CARE A4; Issuer Not Cooperating (Single B Minus; Outlook: Stable; Issuer Not Cooperating/A Four; Issuer Not Cooperating) with immediate effect.

The ratings assigned to the bank facilities of MBL remained constrained on account of low profitability, moderate capital structure and debt coverage indicators during FY23 (refers to the period April 01 to March 31). The ratings further remained constrained on account of constitution as a partnership firm, geographical concentration and customer concentration risk with most of the projects concentrated in government sector. The ratings however, derives strength from increase in scale of operation, experienced partners and long and established track record of operations.

The above action has been taken at the request of MBL along with 'No Objection certificate' from the one of the lenders that has extended the facilities rated by CARE. Further, rating action also considered that MBL has repaid term loan availed from another lender in full and there is no amount outstanding under the said term loan as on date.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers

At the time of last rating dated August 31, 2023, the following were the rating strengths and weaknesses (updated from information available from client)

#### Rating Weaknesses

##### Low profitability, moderate capital structure and debt coverage indicator

Despite increase in total operating income (TOI), profit margins have declined mainly due to high cost of materials and higher sub-contracting expenses and remained low during FY23, marked by PBILDT margin of 5.02% during FY23 (A) as against 8.91% during FY22. Consequently, with higher depreciation and interest charges, PAT margin also declined and remained at 1.76% during FY23 (A) as compared to 2.65% during FY22. However, in absolute terms profitability increased and remained moderate as marked by PBILDT and PAT of Rs.13.87 crore and Rs.4.85 crore respectively in FY23 as against Rs.9.44 crore and Rs.2.81 crore respectively in FY22.

Further, owing to infusion of partner's capital as well as accretion of profits to reserves the capital structure of the company although improved but remained moderate as marked by overall gearing of 1.62x as on March 31, 2023 as against 1.97x as on March 31, 2022. The debt coverage indicators although improved with increase in profitability but remain moderate in FY23 as represented by interest coverage ratio of 2.93x in FY23 as against 2.57x during FY22 and TD/GCA of 5.41 years as on March 31, 2023 as against 7.51 years as on March 31, 2022.

##### Constitution as a partnership firm

MBL is a partnership firm hence there is an inherent risk of withdrawal of capital by partners which may affect financial flexibility of the firm.

##### Geographical concentration and customer concentration risk with most of the projects concentrated in government sector

MBL is a regional player in the construction industry and has executed various earthwork projects mainly for government departments and that too is focused for western railway departments. The customer concentration risk remained high due to heavy dependence on a single customer i.e. Western Railway department for revenue generation.

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

## Rating Strength

### Increase in scale of operations

The scale of operation increased significantly over previous year and remained moderate as marked by total operating income of Rs. 276.34 crore in FY23 as against Rs.105.93 crore during FY22.

### Experienced partners

MBL is a partnership firm run by two partners namely Mr Murtajbhai Khanusiya and Mr Izaz M Khanusiya. Both partners are holding healthy experience in the same line of business.

### Long and established track record of operations

MBL was established in the year 1995 and since then it is into general civil engineering works like road construction and strengthening of road.

### Applicable criteria

[CARE Ratings' Policy on Withdrawal of Ratings](#)

[CARE Rating's criteria on information adequacy risk and issuer non-cooperation](#)

[Policy on Default Recognition](#)

[Criteria on assigning outlook and credit watch](#)

[Financial Ratios – Non-financial Sector](#)

[Short Term Instruments](#)

[Construction](#)

### About the LLP

MBL, originally promoted by Mr. Murtajbhai Khanusiya, aged 52 years, as a proprietorship concern in April 1995 has been converted into partnership firm named M. H. Khanusiya with introduction of his son Mr. Izaz Khanusiya as partner. The name of the firm has been changed from M. H. Khanusiya to MHK Buildcon LLP in August 03, 2023. MBL is 'A' class contractor engaged in general civil engineering works mainly performing earthwork and structural work for railways (Railway Bridge, railway stations and platforms, coach yard and related fabrication work). It also performs structural work for canals as assigned by Irrigation and Agriculture Department of Gujarat.

Brief Financials (Rs. crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023(A)
Total operating income	85.68	105.93	276.34
PBILDT	7.28	9.44	13.87
PAT	1.75	2.81	4.85
Overall gearing (times)	2.77	1.97	1.62
Interest coverage (times)	1.90	2.57	2.93

A: Audited, note: 'the above results are latest financial results available

**Status of non-cooperation with previous CRA:** Acuite (SMERA) has continued the ratings assigned to the bank facilities of MBL to 'Issuer Not Cooperating' category vide press release dated January 18, 2024 on account of its inability to carry out a review in the absence of the requisite information from the LLP.

**Any other information:** Not Applicable

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

**Covenants of the rated instruments/facilities:** Detailed explanation of the 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		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	November 2018	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

**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	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (31-Aug-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Jul-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Jun-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-May-20)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A4; ISSUER NOT COOPERATING* (31-Aug-23)	1)CARE A4; ISSUER NOT COOPERATING* (29-Jul-22)	1)CARE A4; ISSUER NOT COOPERATING* (01-Jun-21)	1)CARE A4; ISSUER NOT COOPERATING* (07-May-20)
3	Fund-based - LT-Term Loan	LT	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (31-Aug-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (29-Jul-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (01-Jun-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (07-May-20)

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

**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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**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.

### Contact us

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#### About us:

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#### Disclaimer:

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