

## Maruti Construction Co.

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	8.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category

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 been seeking No default statement (NDS) for the month of April 2024, May 2024 and June 2024 from Maruti Construction Co. (MCC) to monitor the rating(s) vide e-mail communications dated May 27, 2024, June 07, 2024, June 14, 2024, June 25, 2024 and July 01, 2024 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information (i.e. NDS for the said months) for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. (CARE Ratings) has reviewed the rating based on the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of Maruti Construction Co. (MCC) will now be denoted as "CARE BB; Stable/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 ratings have been revised on account of non-availability of the requisite information to conduct the review. The ratings continue to remain constrained on account of high segmental and geographical concentration of its orderbook, limited clientele diversity, susceptibility of its profit margins to fluctuation in raw material prices in absence of price escalation clause in its entire orderbook and its presence in a highly fragmented and competitive tender-driven construction industry. The ratings also factor in MCC's constitution as a proprietorship firm with instances of capital withdrawal in the past and stretched liquidity.

The ratings, however, continue to derive strength from MCC's experienced proprietor with an established track record of operations in the Engineering, Procurement and Construction (EPC) industry and its comfortable financial risk profile.

At the time of last rating on December 14, 2023 the following were the rating strengths and weaknesses.

**Analytical approach:** Standalone

### Outlook: Stable

Stable outlook reflects CARE Rating's expectation that MCC shall continue to sustain its credit risk profile in near term on back of promoter's experience in road construction projects and moderate orderbook.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Moderate revenue visibility with high geographical, segmental and clientele concentration:** As on October 31, 2023, MCC had an orderbook of Rs.152 crore, translating into moderate revenue visibility of 1.92x of FY23 TOI. Around 97% of MCC's orderbook is skewed towards road projects indicating high segmental concentration of its operations. Further, top three projects, constituting around 81% of its orderbook, has been awarded by Ahmedabad Municipal corporation (AMC), exposing MCC to geographical and client concentration risk.

**Susceptibility of its profitability to fluctuation in raw material prices in absence of price escalation clause:** MCC's entire orderbook consist of small size fixed price contracts to be executed in the range from 12-15 months, exposing MCC's profitability to volatility in raw material prices.

**Constitution as proprietorship firm:** MCC is a proprietorship entity and hence is susceptible to the risk of capital withdrawal by the proprietor at a time of personal contingency, which may affect firm's financial flexibility. MCC has moderate capital base of Rs.25.24 crore as on FY23 end [including unsecured loans (USL) of Rs.7 crore sub-ordinated to the bank borrowings as per

<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

the sanction terms of a lender] with few instances of capital withdrawal in past. Going forward, any disproportionate withdrawal of proprietor's capital shall remain a key rating monitorable.

**Presence in fragmented tender driven construction industry:** MCC participates in the tender invited by state government departments/ municipal corporations. 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 small-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. However, thrust of the government on infrastructure development is expected to augur well for construction players such as MCC in the medium term.

#### Key strengths

**Growing albeit moderate scale of operations and profitability:** MCC's total operating income (TOI) grew at compounded annual growth rate (CAGR) of 49% in the last three years ended on FY23 and 95% y-o-y to Rs.78.82 crore in FY23 (Rs.40.41 crore in FY22) on back of increase in its orderbook and timely execution thereof. During FY23, MCC's profit before interest, lease, depreciation and tax (PBILDT) margin remained rangebound at 5.67% in FY23 (6.55% in FY22), marginal decline was on account of increase in raw material costs and other operating overheads. During 7MFY24 (Provisional), it has reported gross EPC revenue of Rs.58 crore and with envisaged execution of orderbook on hand, CARE Ratings expects MCC to achieve TOI of around Rs.100 crore in FY24 while maintaining PBILDT margin at prevailing level.

**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. He has experience of over two decades in the civil construction industry and looks after the overall management of the firm. The firm has established track record of operations of over a decade and half which helps the firm to pocket the tenders invited by various government entities.

**Comfortable financial risk profile:** MCC's capital structure continue to remain comfortable marked by improvement in overall gearing to 0.39x as on FY23 end (0.53x as on FY22 end) owing to scheduled repayment of long-term debt, repayment of unsecured loans availed from third parties along with augmentation of net worth base due to plough back of profits to reserves. Debt coverage indicators remained comfortable marked by PBILDT interest coverage of 4.75x and total debt to GCA of 2.74 years respectively in FY23 (3.45x and 5.14 years respectively in FY22). CARE ratings expect, MCC's capital structure to remain comfortable in near term.

#### Liquidity: Stretched

MCC's liquidity remains stretched marked by working capital intensive nature of operations due to funds blocked towards margin money for bank guarantees, security deposits, retention money etc. During FY23, MCC's operating cycle improved to 90 days (127 days in FY22) on account of improvement in its scale of operations. Average month end utilisation of sanctioned fund-based working capital limits remained moderate at ~47% during trailing 12 months ended on October 31, 2023 and non-fund-based limits at ~55% as on November 30, 2023. Utilisation of working capital limits are expected to increase in the near term with scaling-up of recently awarded road construction projects in Eastern Zone by AMC. MCC has sufficient cushion available in form of Gross Cash Accruals of Rs.3.58 crore in FY23 vis-à-vis long-term debt repayment of Rs.1-1.50 crore. As on March 31, 2023, it has free cash and bank balances of Rs.4.68 crore (Rs.0.49 crore as on March 31, 2022).

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks :** Not applicable

#### Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

#### About the company and industry

##### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

MCC was formed in the year 2006 as a partnership firm, promoted by Mr. Dhiraj Gorasia and Mr. Pankaj Kevadiya, later in 2008 it was converted into proprietorship firm and presently managed by Mr. Dhiraj Gorasia. MCC is engaged in construction of roads and water supply projects on engineering, procurement and construction (EPC) basis majorly in the state of Gujarat.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	40.41	78.82
PBILDT	2.70	4.47
PAT	1.04	2.09
Overall gearing (times)	0.53	0.39
Interest coverage (times)	3.45	4.75

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** None

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	8.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

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

#### 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	2.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (14-Dec-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (16-Feb-23)	1)CARE B; Stable; ISSUER NOT COOPERATING* (02-Mar-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	8.00	CARE BB; Stable / CARE A4; ISSUER NOT	-	1)CARE BB+; Stable / CARE A4+	1)CARE A4; ISSUER NOT COOPERATING* (16-Feb-23)	1)CARE A4; ISSUER NOT COOPERATING* (02-Mar-22)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
				COOPERATING*		(14-Dec-23)		

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

LT: Long term; LT/ST: 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-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](mailto:care@careedge.in) for any clarifications.

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