

## M.P. Agarwala Private Limited

February 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	22.00	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	43.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of M.P. Agarwala Private Limited (MPA) continues to remain constraint by MPA's tender driven nature of operation with exposure to intense competition, susceptibility of operating margin to volatility in input material prices and labour charges, working capital intensive nature of operations and moderate capital structure and debt protection metrics.

The aforementioned weaknesses get partially offset by the experience of the promoters along with long track record of operation and reputed clientele resulting in minimal default risk. The rating further takes into consideration the satisfactory order book position and stable financial performance albeit moderation in capital structure and debt protection metrics in FY24 (Audited) and 8MFY25 (Unaudited).

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations with total operating income above Rs.200 crore, while maintaining its current PBILDT margin on a sustained basis.
- Improvement in capital structure with overall gearing ratio improving to below 0.80x on a sustained basis.

#### Negative factors

- Any sizeable de-growth in scale of operations from present level (TOI below Rs.40 crore) and deterioration in profitability margins (with PBILDT margin below 7%) on a sustained basis.
- Any major debt funded capex leading to moderation in gearing above 1.50x and Total Debt / GCA of over 4x on a sustained basis.

**Analytical approach:** Standalone.

**Outlook:** Stable.

Stable outlook reflects the firm's ability to sustain its revenues going ahead with stable margins while improving the cash flow position.

### Detailed description of key rating drivers

#### Key Rating Weaknesses

##### Intense competition and tender driven process risk

Companies have to bid for the contracts based on tenders opened by the various public sector units. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The company receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry.

##### Working Capital intensive nature of operation

The operations of the company remained working capital intensive as the company executes orders mainly for public sector units and government departments, which gets stretched for 3 to 4 months. Furthermore, the billing and documentation process, payment approval takes longer time. The collection period of the company remained stable for FY24 with 71 days, similar in line with FY23 of 71 days. However, the work in progress, reflecting amount of work completed but not invoiced, has increased

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

substantially to Rs 25 crore as on March 31, 2024 as compared to Rs 7 crore in previous year, which resulted in elongated working capital cycle of 91 days (PY: 65 days).

#### **Moderate capital structure and debt protection metrics**

The debt level of the company increased significantly during FY24 owing to increased working capital requirements to fund the elongated operating cycle. The borrowings include loans taken to purchase new equipment for road construction, infusion of unsecured loans from the promoters to meet working capital requirements and an increase in advances from customers. The capital structure of the company moderated with overall gearing increased to 2.22x as on March 31, 2024 from 0.62x as on March 31, 2023. The debt coverage indicators also moderated, as marked by PBILDT interest coverage of 2.49x in FY24 (3.40x in FY23) and high total debt to GCA (TD/GCA) of 8.47x in FY24 (1.70x in FY23).

The capital structure and debt protection metrics are expected to improve in near to mid-term with expected invoicing of substantial parts of the work in progress and collection of dues for the same.

#### **Susceptibility of operating margin due to volatility in input material prices and labour charges.**

The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. The prices of which are highly volatile. However, current government agencies' works contract has a price escalation clause which mitigates price volatility risk to some extent. Furthermore, the operating margin of the company is exposed to any sudden spurt in the input material prices along with an increase in labour prices being in labour intensive industries.

### **Key Rating Strengths**

#### **Experienced promoters with long track record of operation**

MPA has been in operation since 2000, accordingly, has a long track record of operation. Further, the company is managed by Mr. Sanjay More, director, along with other director Ms. Sangita More and a team of experienced personnel. The directors are having over two decades of experience in the construction business.

#### **Reputed clientele resulting in minimal default risk**

The company, being Government registered Class A contractor, receives order from reputed organizations like PWD Assam, RCD Assam and others which minimises the risk of bad debts.

#### **Stable financial performance during FY24 and 8MFY25**

The financial performance for FY24 remained stable with the company recording Rs 84.08 crores of turnover during the year (FY23: Rs 93.05 crore). Although the turnover moderated slightly, the overall scale has improved with work in progress at ~Rs 25 crores on March 31, 2024, as compared to Rs 7.00 crores in previous year. The profitability margins improved marked by PBILDT margin of 14.11% (FY23: 12.77%).

In the current financial year, the company has achieved turnover of Rs 74.00 crore till November'24 with PBILDT margin of 19.35%. The turnover is expected to improve in near to mid-term with satisfactory order position and expected improvement in execution of the same.

#### **Satisfactory order book position**

The company is increasing its scale of operation over the years and subsequently receiving major orders in the Northeast region. As on November 30, 2024, the order book position of the company stood at a comfortable level of Rs 305 crores which is 3.63x of FY24 turnover. Furthermore, the company has participated in around 26 tenders for projects in the state of Meghalaya, which is expected to add another Rs 100 crores in order book by March'25.

#### **Liquidity: Adequate**

The liquidity of MPA is marked adequate with a gross cash accrual of Rs 6.23 crore against loan repayment obligation of around Rs 5.00 crores in FY24. The company has similar debt repayment obligation in FY25 which is expected to be met out of the cash accruals.

The collection period of the company remained stable for FY24 with 71 days, similar in line with FY23 of 71 days. However, the unbilled amount for the work already completed, increased significantly as on March 31, 2024, to ~Rs 25.00 crore as compared to Rs 7.00 crore in previous year, which resulted in elongated working capital cycle of 91 days (PY: 65 days). The fund based limit has average utilisation of around 93% for seven months period ending October'24.

### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Financial Ratios – Non financial Sector](#)  
[Construction](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

M.P. Agarwala Private Limited (MPA), incorporated on December 13, 2000 at Guwahati in Assam. MPA is relatively a small sized Assam based company engaged in providing different types of construction services, which include construction of roads, bridges and buildings for government entities like Public Works Department, Road Construction Department etc in the states of Meghalaya and Assam.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	93.05	84.08	74.00
PBILDT	11.88	11.86	14.32
PAT	4.69	4.04	-
Overall gearing (times)	0.62	2.22	-
Interest coverage (times)	3.40	2.49	-

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable.

**Any other information:** Not Applicable.

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	22.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	43.00	CARE A4+

**Annexure-2: Rating history for 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	22.00	CARE BB+; Stable	1)CARE BB+; Stable (03-Apr-24)	1)CARE BB+; Stable (26-Feb-24)	1)CARE BB; Stable (07-Dec-22)	1)CARE BB; Stable (04-Feb-22)
2	Non-fund-based - ST-Bank Guarantee	ST	43.00	CARE A4+	1)CARE A4+ (03-Apr-24)	1)CARE A4+ (26-Feb-24)	1)CARE A4 (07-Dec-22)	1)CARE A4 (04-Feb-22)

LT: Long term; ST: Short term.

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not Applicable.**
**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	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 complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

### Contact us

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