Mynor Enterprises Private Limited

October 22, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	7.00	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	**9.00 (Rs. Nine Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Mynor Enterprises Private Limited (MEPL) factors in improved profitability during FY21 (refers to the period April 1 to March 31) and improved debt coverage metrics and capital structure as on March 31, 2021. The ratings continue to derive strength from established track record of operations and experienced promoters. The ratings however are constrained by small scale of operations, profitability margins susceptible to fluctuation in raw material prices, tender driven nature of business with highly competitive intensity.

Rating sensitivities

Positive Factors

- Ability to scale up operations with total income above Rs.20 crore while maintaining PBILDT margin of over 9%.
- Efficient Working capital management with comfortable average utilization levels of less than 80%.

Negative Factors

- Any significant delays in execution of orders resulting in sizable decline in scale of operations on sustained basis.
- Any increase in debt levels leading to deterioration of capital structure above 2x.
- Any delay in receipt of collection from customers leading to stretched liquidity position.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

The company had recorded long track record, however the scale of operation remained small with total operating income at Rs. 9.54 crore in FY21(Prov.) (refers to April 01 to March 31) which declined from Rs. 11.41 crore in FY20 due to low execution of orders following to covid restrictions.

Profitability margins susceptible to fluctuation in raw material prices

The basic input materials for execution of contracts are pipes, tubes, valves prices of whose prices are volatile. Hence, the operating margin of the company is exposed to any sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry. The absence of price escalation clause leads to raw material fluctuation risk. The PBILDT margin has been volatile in the range of 7.78% to 8.53% over the past 3 year ended FY21 (Prov.).

Tender driven nature of business with highly competitive intensity

The company receives 100% work orders from reputed clientele. All these are tender-based and the revenues are dependent on the company's ability to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. However, the promoter's vast experience in similar industry for more than two decades mitigates this risk to some extent. MEPL operates in highly fragmented and competitive industry having presence of large number of medium sized players. Also, the presence of big sized players with established track record and network results into intense competition in the industry.

Key Rating Strengths

Established track record and experienced promoters

The company has established track record of operations for more than two decades in laying of oil and gas pipelines. MEPL is managed by Mr. Govindaraj; Managing Director along with other directors. He has more than two decades of experience in the gas pipelines fabrication and erection business. Further the long-standing presence of promoters in the similar industry, enabled them to establish a long-term relationship with their customers and suppliers.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Improved order book position with reputed customer profile
The order book position of the company improved to Rs. 40.49 crore as on October 18, 2021 translating to 4.24 times of FY21's revenue as against Rs. 20.10 crore as on July 2020 and the same is expected to be executed by March 2023. MEPL undertakes orders from reputed clients such as Oil and Natural Gas Corporation (ONGC) (rated, CARE AAA; Stable/ CARE A1+), GAIL India Limited (rated, CARE AAA; Stable/ CARE A1+) among others.

Improved financial risk profile and profit margins
The company' capital structure remained comfortable with overall gearing at 0.27x as of March 31, 2021 improved from 0.32x as of March 31, 2020. The PBILDT margin improved from 7.20% in FY20 to 8.53% in FY21 on the back of reduced operating expenses. The interest coverage also improved from 4.67x in FY20 to 11.41x in FY21. The company does not have any term loan and also does not rely on mobilisation advances.

Stretched Liquidity
Liquidity is stretched marked by highly utilised bank limits with moderate cash balance at Rs. 2.10 crore as on March 31, 2021. The operating cycle elongated to 127 days in FY21(Prov.) (PY:97 days) due to stretched inventory and collection period. The inventory consists of unbilled revenue and the company holds the sufficient raw materials for period of 60 days to execute the orders within stipulated period. MEPL receives payment within 70-75 days from its customers while it avails 50-60 days from its suppliers. The company has been sanctioned with working capital limit of Rs. 2.00 crore and the average utilisation of working capital limits stood at 90% for last twelve months ended September 30, 2021. The entity has availed interest moratorium from March 2020 to August 2020 as a relief measure offered by banks for covid pandemic.

Industry outlook and COVID impact
Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. The oil and gas pipeline market are expected to register a CAGR of more than 6% from 2021 to 2026. The oil and gas market are one of the worst-hit industries during COVID-19. Several major midstream companies witnessed reduced net earning till the third quarter of 2020. Pipeline projects in multiple countries witnessed delays due to imposed lockdown restrictions in major countries like the United States, India, and other countries. The global shift toward renewable sources for electricity generation poses a huge threat to the oil and gas demand, which is likely to be a major challenge for the growth of oil and gas pipeline installation in the coming years. India plans to spend US$ 1.4 trillion on infrastructure projects through the National Infrastructure Pipeline (NIP), from 2019 to 2023, to ensure sustainable development in the country.

Analytical approach: Standalone
Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector
Rating Methodology – Construction Sector
Rating Criteria on Short Term Instruments

About the Company
Mynor Enterprises Private Limited (MEPL) was incorporated in the year 1996 by Mr. Govindaraj; Managing Director along with other directors in Nagapatinam, Tamil Nadu. MEPL is engaged in laying, maintenance and repair of oil and gas pipelines and commissioning of oil storage tank and other related work. MEPL undertakes major works from Oil and Natural Gas Corporation (ONGC), GAIL India Limited and among others.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)
Total operating income	11.40	9.54
PBILDT	0.81	0.80
PAT	0.35	0.72
Overall gearing (times)	0.32	0.27
Interest coverage (times)	4.62	10.48

A: Audited, P: Provisional
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: Not Applicable

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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	2.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees		-	-	-	7.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Bank Overdraft	LT	2.00	CARE BB-; Stable	-	1)CARE B+; Stable (01-Sep-20)	1)CARE B+; Stable (17-Jul-19)	1)CARE B+; Stable (18-Jun-18)
2	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A4	-	1)CARE A4 (01-Sep-20)	1)CARE A4 (17-Jul-19)	1)CARE A4 (18-Jun-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantees	Simple

Annexure 5: 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 instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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