FEBRUARY 26, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF MADHAV INFRA PROJECTS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	130 (enhanced from Rs.30 crore)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Long-term / Short-term Bank Facilities	239 (enhanced from Rs.118 crore)	CARE BBB+ / CARE A3+ (Triple B Plus)/ (A Three Plus)	Revised from CARE BBB / CARE A3 (Triple B) / (A Three)
Total Facilities	**369** **(Rupees Three Hundred Sixty Nine crore only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Madhav Infra Projects Limited (MIPL) take into account significant growth in its total operating income (TOI) along with improvement in its debt coverage indicators during FY15 (refers to the period April 01 to March 31) and its moderate revenue visibility on the back of strengthening of its order book as on November 30, 2015.

The ratings further continue to derive strength from the vast experience of the promoters of the Madhav group in the construction business along with their focus towards infrastructure projects which is likely to benefit MIPL, being the engineering procurement and construction (EPC) arm of the group and the renewed thrust of the government on road and infrastructure development.

The ratings, however, continue to remain constrained by the working capital-intensive nature of its operations and moderate leverage. The ratings are also constrained on account of susceptibility of its margins to volatile raw material prices due to fixed price nature of contracts on hand, intense competition in the industry due to high degree of fragmentation and execution challenges faced in the construction industry.

MIPL's ability to significantly scale up its operations through timely execution of the existing orders received on EPC basis, further grow its order book, effectively manage its working capital requirements along with improvement in its profitability and capital structure are the key rating sensitivities. Furthermore, the ability of MIPL to operate its solar power plant efficiently at the envisaged capacity utilization factor (CUF) along with timely receipt of payment from its sole power offtaker shall also be crucial.

Background

Vadodara-based MIPL (formerly known as Myraj Consultancy Ltd.) is a resultant entity after amalgamation of four group companies, namely, Madhav Infra Projects Pvt. Ltd. (MIPPL), Aashka Construction Pvt. Ltd. (ACPL), Elia Construction Pvt. Ltd. (ECPL), and MSK Finance Ltd. (MFL). The appointed date for amalgamation was April 1, 2010. MIPL is promoted by Mr Ashok Khurana and his son Mr Amit Khurana of the Madhav group. The promoters of MIPL were the erstwhile promoters of MSK Projects India Ltd (MSK), which was subsequently taken over by the Welspun group and is now known as Welspun Projects Limited.

During FY15, MIPL earned a PAT of Rs.7.77 crore on a total operating income (TOI) of Rs.262.78 crore as against PAT of Rs.5.07 crore on a TOI of Rs.132.54 crore during FY14. As per the provisional results for H1FY16, MIPL reported TOI of Rs.70 crore and PAT of Rs.1.83 crore. MIPL also had an order book of Rs.434 crore as on November 30, 2015.

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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