OCTOBER 18, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF MAN INFRACONSTRUCTION LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term fund based bank	32.50 (reduced from 57.50)	**CARE BBB+ [Triple B Plus]**	Reaffirmed
Long/Short-term non-fund based bank	188.18	**CARE BBB+/CARE A2 [Triple B Plus /A Two]**	Reaffirmed
Total	**220.68 (Rupees Two hundred and twenty crore and sixty eight lakhs only)**		

Rating Rationale

The reaffirmation of ratings assigned to bank facilities of Man Infraconstruction Limited (MIL) continue to derive strength from well-established and experienced promoters having proven track record in execution of Engineering Procurement Construction (EPC) orders in real estate & infrastructure segment, and moderate capital structure. The ratings also consider the free cash and cash equivalent amounting to approximately Rs. 301 crore as on September 30, 2016 providing liquidity comfort in short term.

However, the rating strengths are tempered by moderation in operational performance resulting in weakening of debt protection indicators in FY16 (refers to period April 01, to March 31,) and inherent risks associated with execution of EPC orders. MIL (through its associates & subsidiaries) during FY16 & Q1FY17 (refers to period April 01 to June 30) ventured into real estate sector as developer and procured fixed price port EPC order. These projects being at nascent stage expose company's operational performance to high project execution risk.

MIL's ability to improve profitability, debt protection metrics and execute real estate projects & port order (through its subsidiaries/associate companies) in a timely manner within the estimated cost would be key rating monitorables.

Background

MIL, incorporated on August 16, 2002, is engaged in EPC of residential and commercial real estate segment. The company, promoted by Mr. Parag Shah, has executed some of the significant infrastructure projects in real estate and ports. The clientele of the company comprises major real estate developers from whom it has been receiving repeat orders. MIL has also entered into Memorandum of Understanding (MoU) with Sezai Turkes and Feyzi Akkaya (STFA) based in Turkey which is a multinational infra-construction contractor specializing in port and marine construction.

MIL ventured into real estate projects as developer during FY16. These projects are executed through its subsidiaries/associate companies, which in turn entered into Development agreement with land owners/tenants. As on June 30, 2016 MIL incurred cost of appx. Rs. 926.08 crore towards the real estate projects, funded through customer advances of appx. Rs. 328.81 crore and balance through debt and internal accruals. Further, the work commenced on port infrastructure project in Man Project Limited (MPL, rated CARE BBB+ (SO) MIL holds 51% stake).

At consolidated level, the company reported Profit After Tax (PAT) of Rs. 13.26 crore on Total Operating Income (TOI) of Rs. 262.87 crore in FY16 as compared to PAT of Rs. 48.68 crore on TOI of Rs. 320.30 crore in FY15. Further, the company reported PAT of Rs. 12.27 crore on TOI of Rs. 53.75 crore in Q1FY17 as compared to PAT of Rs. 6.05 crore on TOI of Rs. 57.31 crore in Q1FY16.

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

At standalone level, the company reported PAT of Rs. 37.56 crore on TOI of Rs. 252.51 crore in FY16 as compared to PAT of Rs. 50.52 crore on TOI of Rs. 241.74 crore in FY15. Further, the company reported PAT of Rs. 17.95 crore on TOI of Rs. 54.95 crore in Q1FY17 as compared to PAT of Rs. 10.16 crore on TOI of Rs. 55.03 crore in Q1FY16.

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****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.

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CIN - L67190MH1993PLC071691