Man Infraconstruction Limited

December 07, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term bank facilities	32.50	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	Revised from CARE BBB+; Stable [Triple B Plus; Outlook Stable]
Long/Short-term bank facilities	188.18	**CARE A-; Stable/CARE A2+ [Single A Minus; Outlook: Stable/ A Two Plus]**	Revised from CARE BBB+; Stable/CARE A2 [Triple B Plus; Outlook: Stable/A Two]
Total	**220.68**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in ratings assigned to bank facilities of Man Infracontruction Limited (MIL) is takes into account significant improvement in operational& financial performance in FY17 (refers to period April 01, to March 31,) resulting in favourable debt protection metrics. Further, the ratings continues to derive strength from well established & experienced promoters, favourable order book position providing short to medium term revenue visibility, favourable financial risk profile coupled with comfortable liquidity position.

However, the rating strengths continue to be tempered by inherent risk associated with execution of large Engineering Procurement Construction (EPC) orders in infrastructure segment and cyclicality associated with real estate segment.

Ability of MIL to execute the real estate projects in a timely manner, achieve good sales momentum and better collection efficiency remains key rating sensitivities. Also, any moderation in financial risk profile of the company would be key rating monitorable.

Detailed description of the key rating drivers

Key Rating Strengths

Well established and experienced promoters

Incorporated on August 16, 2002, Man Infraconstruction Ltd (MIL) promoted by Mr. Parag Shah, Managing Director, is engaged in the construction of residential & commercial and infrastructure projects. The promoter has an experience of over two decades in the construction industry. Earlier the promoter was mainly engaged in construction of port infrastructure projects through a group company, Pathare Real Estate & Developers Limited, which was later merged with MIL. The

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

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. The day-to-day operations of the company are managed by a team of qualified and experienced professionals headed by Mr. Parag Shah.

Favourable order-book position, providing short to medium term revenue visibility

MIL's outstanding order book comprise of EPC orders from infrastructure and real estate segment. At consolidated level order book stood at Rs. 629 crore [including from port infrastructure from Bharat Mumbai Container Terminal Private limited (BMCT) in Man Projects Limited (MPL, MIL holds 51% stake] which is around 1.58 times of FY17 revenue, providing short to medium term revenue visibility. In real estate segment, the company continues to execute orders in Maharashtra (around Pune & Mumbai).

Improved operational performance in FY17 resulting in favourable financial risk profile coupled with comfortable short term liquidity position

At consolidated level, MIL derives income from operations from EPC and real estate segment. The income from operations of the company significantly improved in FY17 supported by strong growth in income from EPC segment. MPL is executing port infrastructure order which contributed Rs. 289.65 crore in FY17. Further, the revenue from real estate segment increased from Rs. 9.47 crore in FY16 to Rs. 41.29 crore in FY17 on account of completion of few real estate projects. Consequently, Profit Before Interest Lease Depreciation Tax (PBILDT) margins improved from 24.54% in FY16 to 30.61% in FY17 and PAT margins improved from 5.73% in FY16 to 13.42% in FY17.

MIL debt level increased at consolidated level from Rs. 283.46 crore at the end -FY16 to Rs. 304.62 crore at end-FY17. Out of the total debt, Rs. 221.84 crore is towards execution of real estate projects from Banks/FIs and related parties. Despite increase in debt level, MIL continues to have comfortable capital structure. At consolidated level, the overall gearing ratio of the company is 0.44 times at end-FY17 as compared to 0.47 times at end-FY16. However, at standalone level, the company continues to remain debt free. There are no term and working capital borrowings as on March 31, 2017.

The liquidity position of the company at consolidated level continues to be favourable with cash & cash equivalent amounting to appx. Rs. 213 crore as on September 30, 2017 and unutilized fund based working capital limits. Any moderation in the financial risk profile of the company would be key rating monitorable.

Key Rating Weaknesses

Inherent risk associated with execution of EPC orders in infrastructure segment

Given the nature of EPC business, MIL is exposed to inherent risks associated with project execution. Also, the company is executing EPC orders of clients largely in residential & commercial segment. The competition in construction business is high due to the presence of several players. However, MIL benefits due to its long track record in executing various orders. Going forward, MIL's ability to execute the project in timely manner remains a key rating sensitivity.

Risk associated with real estate sector

Recently, MIL forayed into real estate segment in Mumbai region. During FY17 MIL completed two projects with sales area of around 20,238 sq. ft. Currently, the company has four on-going projects. Out of these, three projects are in subsidiaries and one in joint venture 'Atmosphere Realty Private Limited'. These on-going projects are expected to be complete in span of next 5 years. In addition to it, company through its subsidiary proposes a project at Dahisar which is relatively large in size to be executed in two phases over a period next eight years from Q3FY18.The balance receivables from confirmed sales as a percentage of remaining construction cost and debt is moderate towards the project launched before September 30, 2017.

Further, as on March 31, 2017 the subsidiaries of MIL have sanctioned loans of Rs. 194 crore from Banks/FIs towards these projects for which MIL has extended corporate guarantee. Further, MIL has also given corporate guarantee to the sanctioned loan amounting of Rs. 450.10 crore to be availed by the joint venture. While the share of MIL in the said venture is 17.5%, the guarantee is joint and several. Ability of MIL to execute the real estate projects in a timely manner, achieve good sales momentum and better collection efficiency remains crucial.

Analytical approach: Consolidated

Applicable Criteria

CARE's criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
Factoring Linkages in Ratings
CARE's methodology for Short-term Instruments
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies

About the Company

MIL, incorporated on August 16, 2002, is engaged in EPC of real estate (residential and commercial) and infrastructure 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, also entered into MoU with STFA based in Turkey which is a multinational infra-construction contractor specializing in port and marine construction.

MIL recently ventured into entered into real estate sector as developer. The company through its subsidiaries/associates is developing real estate projects in residential segment in Mumbai region. These subsidiaries/associate companies in turn enter into Development agreement with land owners/tenants.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	251.70	490.53
PBILDT	61.78	150.15
PAT	14.42	65.85
Overall gearing (times)	0.47	0.44
Interest coverage (times)	3.00	3.69

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

Analyst Contact:
Name: Vishal Sanghavi
Tel: 022-67543430
Email: vishal.sanghavi@careratings.com

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	32.50	CARE A-; Stable
Non-fund-based-LT/ST	-	-	-	188.18	CARE A-; Stable / CARE A2+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	32.50	CARE A-; Stable	-	1)CARE BBB+ (18-Oct-16) 2)CARE BBB+ (02-Aug-16) 3)CARE A- (21-Apr-16)	1)CARE A- (13-Apr-15)	-
2.	Non-fund-based-LT/ST	LT/ST	188.18	CARE A-; Stable / CARE A2+	-	1)CARE BBB+ / CARE A2 (18-Oct-16) 2)CARE BBB+ / CARE A2 (02-Aug-16) 3)CARE A- / CARE A2+ (21-Apr-16)	1)CARE A- / CARE A2+ (13-Apr-15)	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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