

Manav Infra Projects Limited

January 15, 2018

Rating

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long-term Bank Facilities	3.80	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Total Facilities	3.80 (Rupees Three crore and Eighty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Manav Infra Projects Limited (MIPL) is constrained by relatively small scale of operations albeit continuous growth over last 3 years ended FY17 (refers to the period April 1 to March 31), working capital intensive nature of operations, significant supplier and geographical concentration risk, risks associated to execution & funding of ongoing expansion project, and presence in competitive & cyclical industry.

The rating, however, derives strength from the company's established track record of operations with highly experienced promoters in excavation & piling activities, established relationship with reputed clientele albeit significant customer concentration risk, moderate order book position, moderately comfortable profit margins, comfortable capital structure & moderate debt coverage indicators.

The ability of the company to increase the scale of operations and improve profit margins amidst competitive & cyclical scenario and maintain the capital structure and improve the liquidity position by efficiently managing the working capital requirements are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Relatively small scale of operations albeit continuous growth over last 3 years: The scale of operations of MIPL stood relatively small with the total operating income ranging from Rs.11-19 crore over FY14-FY17. However, it has been continuously growing at a healthy rate of 15.19% CAGR over FY14-FY17 owing to increase in demand from construction, real estate & infrastructure development activities. Nevertheless, the tangible network also remained small and thus limiting the financial flexibility of the company.

Working capital intensive nature of operations: The operations of MIPL are working capital intensive in nature with majority of funds blocked in debtors and a moderate portion in WIP. The inventory holding stood moderate in the range of 40-55 days over FY15-FY17, given the moderate time period of over 40-50 days WIP of work orders. The collection period stood high in the range of 60-100 days over the same period, given the high credit period of over 90-120 days required to be extended to the customers. Accordingly a moderate credit period of over 50-60 days is extended by the company to its suppliers. Given this, the operating cycle stood moderately elongated at 65-80 days over FY15-FY17 which lead to high utilization of working capital limits.

Significant supplier and geographical concentration risk: The primary raw material viz. cement, TMT bars and other steel materials, primary finding application in piling, are procured only from 3 suppliers in FY17 and FY16 and thus possess high level concentration risk. Moreover the customer profile is also geographically concentrated across Mumbai region.

Project execution & funding risk: MIPL is undertaking a project to procure Heavy Earth Moving Equipment (HEME), to be funded by way of share capital to the tune of ~54% and the balance by way of term loan. The company faces execution & funding risk with regard to the said project, since 43.19% of the envisaged project cost is yet to be incurred whereas the term loan is yet to be tied up for.

Presence in competitive & cyclical industry: MIPL operates in a highly competitive civil construction industry wherein a large number of players are engaged in providing excavation & piling services. Moreover, the cyclicity in the real estate

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

industry also has a bearing on the business prospects of the company, which is evident from the fluctuating proportion of excavation and piling in the scale of operations of the company. Furthermore, the competitive & cyclical nature of operations is evident in the moderate & fluctuating profit margins and high collection period of the company.

Key Rating Strengths

Established track record of operations with experienced promoters in excavation & piling activities: MIPL possesses an established track record of over 8 years of operations in excavation & piling activities. The overall operations of MIPL are looked after by the promoter & directors Mr. Mahendra Raju and Mr. Dinesh Yadav, who possess a total experience of over 20 years in the field of excavation & piling activities which both of them were gained through association with proprietorship entity formed by Mr. Mahendra Raju.

Established relationship with reputed clientele albeit customer concentration risk: MIPL caters to various construction players, real estate & infrastructure developers across Mumbai, providing them the excavation & piling services. The said customers belong to the players of repute viz. Kanakia Spaces Realty Private Limited, J. Kumar Infra Projects Limited, Simplex Infrastructure Private Limited, NCC Limited, CCI Projects Private Limited, etc. Moreover, the company is also exposed to significant customer concentration risk, since the top 5 customers comprised 88.35% of the net sales in FY17.

Moderate comfortable albeit fluctuating profit margins: The PBILDT margin of MIPL stood moderately comfortable albeit fluctuating and in the range of 10-25% over FY14-FY17, given the services nature of operations and owing to changing requirement for material, sub-contractors and other components, depending upon the changing proportion of excavation & piling activities in the sales mix in every year. Nevertheless the same continues to remain moderately comfortable during FY14-FY17.

Comfortable capital structure & moderate debt coverage indicators: The capital structure of MIPL stood comfortable with an overall gearing ranging from 0.60-1.75 times over FY14-FY17, given the low reliance on debt. Given the low debt levels coupled with moderate profitability & cash accruals, the debt coverage indicators stood moderate with the total debt/GCA and interest coverage in the range of 3-6 times and 2-3 times respectively over FY14-FY17.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Infrastructure Sector](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Company

Incorporated in June 2009 by Mr. Mahendra Raju as a private limited company, Manav Infra Projects Private Limited (MIPPL) was later converted into a public limited company in February 2017, and renamed as MIPL. The company is engaged in providing excavation & piling services to various construction players, real estate & infrastructure developers mainly across Mumbai. The piling activity comprises laying the foundation prior to the commencement of any building or construction activity, whereas excavation comprises the process of moving earth, rock or other materials with tools, equipment and explosives. The primary raw material viz. cement, TMT bars and other steel materials, primary finding application in piling, are procured from a few local manufacturers & suppliers of the same across Mumbai. Post the conversion into a public limited company, MIPL got listed on NSE and came out with an IPO (Initial Public Offering) in September 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	16.44	18.30
PBILDT	1.79	2.18
PAT	0.61	1.03
Overall gearing (times)	0.69	0.62
Interest coverage (times)	2.41	2.67

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.

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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	-	-	-	3.80	CARE BB; Stable

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	3.80	CARE BB; Stable	-	-	-	-

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