Mynor Enterprises Private Limited

June 18, 2018

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	2.00	**CARE B+; Stable (Single B Plus; Outlook Stable)**	**Assigned**
Short-term Bank Facilities	7.00	**CARE A4 (A Four)**	**Assigned**
Total	**9.00 (Rupees Nine crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Mynor Enterprises Private Limited (MEPL) are tempered by Small scale of operations with fluctuation total operating income, working capital intensive nature of operations, highly fragmented industry with intense competition from other players and short term visibility in order book, tender based nature of operations, and high customer and geographical concentration risk. The ratings are, however, underpinned by the established track record and experience of the promoters, financial risk profile marked by comfortable capital structure and debt coverage indicators, satisfactory profitability margins during review period and stable outlook in oil and gas industry.

Going forward, the ability of the company to increase its scale of operations and maintain the profitability margins and maintain its capital structure and debt coverage indicators while managing its working capital requirement efficiently and reduce client geographic concentration risk would be the key rating sensitivities.

Detailed Description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with fluctuation total operating income

MEPL was incorporated in the year 1996. However, the scale of operations of the company marked by total operating income (TOI) remained small at Rs.13.62 crore in FY18 (C.A. certified Prov.) coupled with low net worth base of Rs.5.14 crore as on March 31, 2018 as compared to other peers in the industry.

The total operating income (TOI) of the entity increased from Rs.19.08 crore in FY16 to Rs24.41 crore in FY17 due to increase in execution of existing orders and addition of new orders. However, TOI declined to Rs. 13.62 crore in FY18 (C.A. Certified Prov) due to delay in execution of work orders received from ONGC as there was objection from District Pollution/Environmental Departments (due to exploring Methane in Cauvery belt).

Working capital intensive nature of operations

The operations of the company are working capital intensive due to elongated collection period. The operating cycle of the company increased from 70 days in FY16 to 122 days in FY18 (C.A. Certified Prov.) on account of increase in average collection days from 44 days in FY16 to 87 days in FY18(C.A. Certified Prov). Generally, the company receives the payment from customers within 45-60 days from the date of bill raised. The company makes the payment to its suppliers within 40-45 days and sometimes depending on the realization of payment from its debtors, the company avails the extension in

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

credit period from its supplier. The company maintains the average inventory of 20-40 days in order to mitigate the price fluctuation and execute the orders in time. The average utilization of fund based working capital limits of the company was 90 % during the last 12 months period ended May 31, 2018.

Tender based nature of operations along with highly fragmented industry with intense competition from other players

The company receives 100% work orders from ONGC, GAIL, and others. 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 satisfactory industry experience of two decades mitigates this risk to some extent. Nevertheless, there are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive.

The company is engaged in construction of civil works, which is fragmented industry due to presence of large number of organized and unorganized players in the industry resulting in huge competition

Short-term visibility in order book

The firm has an order book of Rs.6.4 crore as on May 29, 2018, which translates to 0.47x of total operating income of FY18 and the same is likely to be completed by FY19.The said order book provides revenue visibility for long term. The entire work order comprise of ONGC and GAIL resulted in high customer concentration risk.

Key Rating Strengths

Established track record and experience of the promoter for two decade in Gas Pipelines Fabrication & Erection Services

The company has a track record of more than two decades in laying of oil and gas pieplines industry. MEPL is managed by Mr. Govinda raj (Managing Director) along with other directors. He has more than two decades of experience in the gas pipelines fabrication and erection business. Due to long experience of the promoter, he was able to establish long term relationship with customers, which has helped in developing his business and bag with new orders.

Satisfactory profitability margins, however, declining during review period

The profitability margin of the company has been satisfactory. The PBILDT margin of the company increased from 7.69% in FY16 to 10.14% in FY18 (Prov.) due to decrease in sub-contractor work and employee cost. Furthermore, the PAT margin increased from 2.81% in FY16 to 4.08% in FY18 (C.A. Certified prov.) due to decrease in interest cost.

Financial risk profile marked by comfortable capital structure and debt coverage indicators

The capital structure of the company remained satisfactory during review period. The debt equity ratio of the company remained below unity for the last three balance sheet date ended March 31, 2018(C.A. Certified Prov.) due to repayment of vehicle loan. The overall gearing ratio improved from 0.67x as on March 31, 2016 to 0.58x as on March 31, 2018(C.A Certified Prov.) due to increasing tangible networth although total debt levels are increasing.

The debt coverage indicators also stood satisfactory during the review period. The total debt/GCA improved from 3.86x in FY16 to 2.87x in FY17 due to increase in gross cash accruals. However, it deteriorated to 4.02x in FY18 (C.A. Certified Prov.) due to increase in debt levels (vehicle loan and higher utilization of working capital levels). The PBILDT interest coverage ratio improved from 3.11x in FY16 to 3.43x in FY17 due to increase in PBILDT in absolute terms however it further improved to 4.23x in FY18 (C.A. Certified Prov.) due to decrease in interest cost.

Stable outlook in oil and gas industry

India is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. Oil imports rose sharply year-on-year by 27.89 per cent to US$ 9.29 billion in October 2017. India's oil consumption grew 8.3 per cent year-on-year to 212.7 million tonnes in 2016, as against the global growth of 1.5 per cent, thereby making it the third-largest oil consuming nation in the world. India is the fourth-largest Liquefied Natural Gas (LNG) importer after Japan, South Korea and China, and accounts for 5.8 per cent of the total global trade. Domestic LNG demand is expected to grow at a CAGR of 16.89 per cent to 306.54 MMSCMD by 2021 from 64 MMSCMD in 2015. The country's gas production is expected to touch 90 Billion Cubic Metres (BCM) in 2040 from 21.3 BCM in 2017-2018 (Apr-Nov). Gas pipeline infrastructure in the country stood at 16,470 km in September 2017.

Analytical Approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company

Tamil Nadu Based, Mynor Enterprises Private Limited (MEPL) was incorporated in the year 1991 by Mr. Govindaraj (Managing Director) along with other directors. MEPL is engaged in Laying of Oil and Gas Pipeline, erection of oil storage tank, repair and maintenance of oil and gas pipelines and vessels. MEPL undertakes the works from Oil and Natural Gas Corporation (ONGC), GAIL India Limited, among others. The company purchases pipes, tubes and other materials from Raja Steels, Mastek Metals & tubes, Hawa Engineers and from other local players

Brief Financials (Rs. crore)	FY17(Audited)	FY18 (Provisional)
Total operating income	24.41	13.62
PBILDT	1.91	1.38
PAT	0.72	0.56
Overall gearing (times)	0.57	0.58
Interest coverage (times)	3.43	4.23

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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About CARE Ratings:

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-Bank Overdraft	-	-	-	2.00	CARE B+; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Bank Overdraft	LT	2.00	CARE B+; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A4	-	-	-	-

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