Mynor Enterprises Private Limited
July 17, 2019

Ratings

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

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Mynor Enterprises Private Limited (MEPL), continues to be constrained by small scale of operations in the highly fragmented industry with intense competition from other players. The rating also factors in thin profitability margins, working capital intensive nature of business and tender based nature of operations.

However, the rating derives comfort from, established track record and experience of the promoter for two decade in gas and pipeline fabrications and erection services, comfortable capital structure and debt coverage indicators, healthy demand outlook for oil and gas industry. The rating also factors in marginal increase in the total operating income in FY19 provisional (refers to the period April 01- March 31) and moderate order book position.

Going forward, the ability of the company to increase its scale of operations, to execute the current order book on time and receive timely payments improve its profitability margins and maintain its capital structure while managing its working capital requirements efficiently will be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

Despite track record of operations, the scale of MEPL stood small marked by total operating income (TOI) of Rs. 16.52 crore in FY19(Prov.) coupled with net worth base of Rs. 5.95 crore as on March 31, 2019 (Prov.) as compared to other peers in the industry.

Decline in PBILDT margin in FY19 Provisional (refers to the period April 01- March 31)

PBILDT margin of the company declined by 251 bps from 8.79% in FY18 to 6.28% in FY19 (Prov). Despite decline in PBILDT margin, PAT margin of the company has improved to 4.74% in FY19 (Prov.) as against 3.62% in FY18 owing to no depreciation charged in provisional results.

Working capital intensive nature of operations

The company is operating in working capital intensive business. The operating cycle improved and stood at 83 days in FY19 (Prov.) as against 105 days in FY18 mainly on account of improvement in collection period. 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. However due to better collection days, the creditor day's as well as working capital utilization stood moderate in FY19 (Prov.). The average utilization of fund based working capital limits of the company was 80% during the last 12 months period ended June 2019.

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

Key Rating Strengths

Established track record and experience of the promoter for two decade in gas pipelines fabrication & erection services

The Company has 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.

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

Marginal increase in total operating income and moderate order-book position
There was a marginal increase in the total operating income (TOI), in FY19 (Prov.) which stood at Rs. 16.52 crore as against Rs. 15.10 crore in FY18 owing to regular receipt of orders and execution of the same. As of June 2019, MEPL has an order book of Rs. 14.89 crore, which translates to 0.90x of total operating income of FY19 and represents moderate revenue visibility to the entity over medium term. The entire order book pertains to laying, installation and replacement of pipeline of pipeline. Nearly 50% of the total orders in hand is derived from a single client resulting in high customer concentration.

Financial risk profile marked by comfortable capital structure and debt-coverage indicators
The capital structure marked by debt- equity improved from 0.08x as on March 31, 2018 to 0.06x as on March 31, 2019 (Prov.) owing to scheduled repayment of loans borrowed towards vehicle and equipment. Furthermore, overall gearing also improved and stood comfortable at 0.29x as on March 31, 2019(Prov.), against 0.58x as on March 31, 2018 on account of significant decline in the debt profile of the company in terms of working capital facility as well as long-term borrowings.
During the FY19 (Prov.) the company has also increased the share capital by Rs. 0.03 crore.
The debt coverage indicator marked by TD/GCA stood comfortable represented by significant improvement from 4.05x in FY18 to 2.20x in FY19 (Prov.) on the back of stable cash accruals and decline in the total debt outstanding as of balance sheet dates over FY18-19. Furthermore, the interest coverage ratio, also improved from 3.67x in FY18 to 4.25x in FY19 (Prov.) due to decrease in interest cost in line with scheduled repayment of loans borrowed and moderate utilization of working capital borrowings.

Healthy demand outlook in oil and gas industry
As of January 1, 2019, the oil refining capacity of India stood at 249.4 million tonnes, making it the second largest refiner in Asia. Private companies own about 35.62 per cent of the total refining capacity. India's energy demand is expected to double to 1,516 MT by 2035 from 753.7 MT in 2017. Moreover, the country's share in global primary energy consumption is projected to increase by 2-folds by 2035. Consumption of petroleum products in India increased 4.1 per cent to 210 million tonnes in 2018. India's consumption of petroleum products grew 5.31 per cent to 204.992 MMT in FY18 from 194.597 MMT in FY17. Petroleum products' consumption during April 2018-February 2019 stood at 193.53 MMT. India retained its spot as the third largest consumer of oil in the world in 2017. Given the healthy outlook for oil and gas industry, the performance of MEPL is also expected to be stable.

Liquidity analysis
The company had total cash and cash equivalents amounting to Rs. 1.71 crore as on March 31, 2019 (Prov.). As on March 31, 2019(Prov.), the current ratio stood at 2.39x as against 2.02x as on March 31, 2018. The average unutilized portion of fund-based working capital limits was around 20% which amounted to Rs. 0.40 crore (approx.) during 12 months ended June 2019

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
Rating Methodology – Service sector Entities

Background
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, maintenance and repair of oil and gas pipelines and commissioning of oil storage tank and other related work.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (P)
Total operating income	15.10	16.52
PBILDT	1.33	1.04
PAT	0.55	0.78
Overall gearing (times)	0.58	0.29
Interest coverage (times)	3.67	4.25

A-Audited; P-Provisional

Status of non-cooperation with previous CRA: Nil
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bank Overdraft	LT	2.00	CARE B+; Stable	-	1)CARE B+; Stable (18-Jun-18)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A4	-	1)CARE A4 (18-Jun-18)	-	-

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.*

Contact us

Media Contact

Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Manish Kumar
Group Head Contact no. - 9949547551
Group Head Email ID - manish.kumar@careratings.com

Business Development Contact

Name: Uma. S
Contact no. : 9894321525
Email ID: uma.s@careratings.com

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.

Disclaimer

CARE’s ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE’s ratings do not convey suitability or price for the investor. CARE’s ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE’s rating.
Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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