

Press Release

Markoline Infra Private Limited (MIPL)

09 March, 2018



Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 7.50 Cr
Long Term Rating	SMERA BB /Outlook: Stable (Upgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer annexure for details*

SMERA has upgraded the long term rating to '**SMERA BB**' (**read as SMERA double B**) from '**SMERA BB-**' (**read as SMERA double B minus**) and reaffirmed short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs. 7.50 crore bank facility of Markoline Infra Private Limited (MIPL). The outlook is '**Stable**'

Incorporated in the year 2005, Markoline Infra Private Limited is engaged in the business of operation and management of highways and micro- surfacing. Operation and management includes Toll Operations, Route Patrolling, Incident Management, Asset Management and Maintenance.

Key rating drivers

Strengths

Experienced management

The directors namely, Mr. Sanjay Bhanudas Patil Mr. Vijay Ratanchand Oswal has huge experience of more than 10 years in the same line of business.

Improving financial risk profile

MIPL financial risk profile has improved with Tangible Net Worth standing at Rs. 3.55 Crore as on March 31, 2017 compared to Rs. 2.42 Crore as on March 31, 2016. The company's Adjusted Gearing (i.e. excluding unsecured loan given by directors from total borrowing) improved to 1.26 times as on March 31, 2017 as against 2.23 times as on March 31, 2016. The Interest coverage ratio also improved from 2.04 times in FY16 to 3.38 times in FY 17. Debt Service Coverage ratio (DSCR) slightly improved to 1.98 times as on March 31, 2017. The Total Outside Liabilities/Total Net worth stood at 2.62 times as on March 31, 2017 as against 2.96 times as on March 31, 2016.

Weaknesses

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Decline in operating margins:

Although the revenue has grown by 120 percent in FY 2017 from FY2016 EBITDA margin has declined to 6.87% in FY17 as compared to 8.12% in FY 2016. Similarly PAT margin have also reduced marginally from 3.59% in FY16 to 3.45 % in FY 2017. This is mainly due to construction of shelters at various new roadway sites from which revenue would be reaped in coming years.

Tender driven business:

The operation and management of road business is tender driven and revenue is based on the number of tenders being floated by the government and success ratio of the company.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MIPL to arrive at the rating.

Outlook – Stable

SMERA believes that the MIPL will maintain a moderate business risk profile in the medium term on the back of experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in revenue, capital structure while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue, profitability and capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.49	14.71	20.30
EBITDA	Rs. Cr.	2.23	1.00	1.62
PAT	Rs. Cr.	1.12	0.53	0.62
EBITDA Margin	(%)	6.87	8.12	9.02
PAT Margin	(%)	3.45	3.59	3.03
ROCE	(%)	31.21	21.92	35.73
Total Debt/Tangible Net Worth	Times	1.42	2.26	2.11
PBDIT/Interest	Times	3.38	2.04	2.55
Total Debt/PBDIT	Times	1.86	3.23	1.97
Gross Current Assets (Days)	Days	135	204	132

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14 Dec-2016	Cash Credit	Long Term	5.00	SMERA BB- /Stable
	Bank Guarantee	Short Term	2.50	SMERA A4+
17- July-2015	Cash Credit	Long Term	5.00	SMERA BB- /Stable
	Bank Guarantee	Short Term	2.50	SMERA A4+

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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