

Press Release

Markoline Infra Private Limited

July 04, 2019

Rating Upgraded and Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

Mumbai-based, MIPL was incorporated in the year 2005 by Mr. Sanjay Bhanudas Patil and Mr. Vijay R. Oswal. The company is engaged in the business of toll operation, and operation and maintenance of highways.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Long experience of the promoters in the toll collection and road operation & maintenance industry**
 The promoters, Mr. Sanjay Bhanudas Patil and Mr. Vijay R. Oswal have been in the operational and maintenance, toll collection and other allied services for roadways for seventeen years. The established presence of the promoters has led to developing healthy relationship with customers and suppliers as reflected in repeated orders. The company has pan India presence and caters to reputed customers such as L&T, Gujarat Road Infrastructure company Private Limited, among others.
 Acuite believes that the company will benefit from its promoters established presence and healthy relationship with reputed customers over the long term.
- Revenue growth over the period under study**
 MIPL revenue has increased by ~51% from Rs.35.75 crore in FY2018 to Rs.53.90 crore in FY2019, aided by improved order book position. Further, the company has healthy order book position of Rs.141.12 crore as on June 2019, which is executable over the next one to three years, thus providing revenue visibility over the medium term.
- Moderate financial risk profile**
 MIPL has moderate financial risk profile marked by moderate net worth of Rs.6.48 crore as on March 31, 2019 (provisional) as compared to Rs.4.53 crore as on March 31, 2018. The company has moderate gearing, interest coverage and net cash accruals. The gearing stood at 0.89 times as on March 31, 2019 (provisional) as compared to 1.00 times as on March 31, 2018. The interest coverage ratio improved to 2.88 times for FY18-19 (provisional) as compared to 2.77 times for FY17-18. The company has generated moderate cash accruals to total debt of 0.36 times during FY18-19 (provisional) as compared to 0.24 times for FY17-18. The total debt of Rs.5.75 crore as on March 31, 2019 (provisional) consist of working capital borrowing of Rs.5.00 crore and unsecured loan from promoters of Rs.0.75 crore.

Weaknesses

- **Intensely competitive business environment, characterised by the fragmented nature of industry**

The toll collection, and operation & maintenance industry is highly competitive and fragmented marked by presence of numerous small as well as large players. Given its modest size, securing large orders can be challenging. Further, the entity's ability to bid for new projects is mainly determined by the availability of non-fund based limits in the form of performance guarantee required for security deposits.

- **Significant exposure to associate and group concerns**

As on March 31, 2019 (provisional), the company had exposure of Rs.5.08 crore to associate and group concerns in the form of loans and advances, which constituted around 78% of its tangible net worth. Timely recovery of these loans and advances will remain a key sensitivity factor.

- **Modest scale of operations limits economies of scale**

Despite revenue growth, the entity's scale of operations continues to remain modest, restricting economies of scale and operational flexibility.

Liquidity Position

MIPL has adequate liquidity position. Bank limit remained fully utilised over the last six months ended May 31, 2019. Utilisation is expected to remain high on account of large working capital requirement. MIPL has generated net cash accruals of Rs.0.72-2.09 crore over FY2016-2019 as against debt obligation of Rs.0.07-0.26 crore over the same period. Expected cash accrual of over Rs.2.15-3.27 crore over FY20-22 against nil debt obligation, thus provide liquidity cushion. Current ratio was moderate at 1.07 times as on March 31, 2019 (provisional).

Outlook: Stable

Acuite believes MIPL will maintain a 'Stable' business risk profile in the medium term on account of its experienced management and healthy order book. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers decline in revenue and profitability or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	53.90	35.75	32.49
EBITDA	Rs. Cr.	3.57	2.06	2.23
PAT	Rs. Cr.	1.94	0.99	1.12
EBITDA Margin	(%)	6.62	5.76	6.87
PAT Margin	(%)	3.60	2.76	3.45
ROCE	(%)	34.53	27.73	31.21
Total Debt/Tangible Net Worth	Times	0.89	1.00	1.42
PBDIT/Interest	Times	2.88	2.72	3.38
Total Debt/PBDIT	Times	1.61	1.84	1.86
Gross Current Assets (Days)	Days	122	146	122

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Rating/Outlook
20-May-2019	Cash Credit	Long Term	5.00	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Indicative)
09-Mar-2018	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Upgraded from ACUITE BB-/Stable)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
14-Dec-2016	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Reaffirmed)
17-Jul-2015	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+/Stable (Upgraded from ACUITE BB)
Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Bhanupriya Khandelwal Analyst - Rating Operations Tel: 022-49294045 bhanupriya.khandelwal@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: *An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.*