

Press Release

Mira Construction

March 20, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.17.00 Cr (enhanced from Rs. 8.00 crore)
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 17.00 crore bank facilities of Mira Construction (MIRA). The outlook is '**Stable**'.

MIRA, established in 1984 is a Mumbai-based partnership firm that undertakes civil construction work for the Municipal Corporation of Greater Mumbai. The firm was promoted by Mr. Navinchandra T. Mehta.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management: The firm was established by Mr. Navinchandra T. Mehta in 1984 who possesses experience of around three decades in the industry.

Moderate financial risk profile: The financial risk profile of the firm continues to remain comfortable marked by adjusted gearing of 0.08 times as on March, 31 2016 as compared to 0.09 times in the previous year. The interest coverage ratio stood at 2.67 times in FY2015-16 as against 3.36 times in the previous year. For arriving at the adjusted gearing, interest bearing unsecured loan of Rs.7.70 cr as on March 31, 2016 from promoters has been considered as part of equity (same is subordinated to bank debt).

Modest order book position: The firm has unexecuted order book position of around Rs. 85.32 cr as on 31 January, 2017. These orders are expected to be completed in the next 36 months thereby providing revenue visibility over the medium term.

Weaknesses:

Small scale of operations: The scale of operations continues to remain small with operating income of Rs. 24.18 cr for FY2015-16 as compared to Rs. 25.76 cr in the previous year. Further, the firm has reported operating income of Rs. 20.96 cr (provisional) for FY2017 (9M). The operations of the firm are tender based which makes it vulnerable to order cyclicalities.

Working capital intensive operations: The operations continue to remain working capital intensive which is reflected in the gross current asset days of 224 in FY2015-16 as compared to 184 in the previous year. However, the firm has comfortable liquidity position with average cash credit limit utilisation of around 23 percent for the last six months ended 28 February, 2017.

Intense competition from established players: MIRA continues to be exposed to intense competition from organised and unorganised players in the civil construction industry.

Risk of capital withdrawal: MIRA is exposed to risk of capital withdrawal on account of the partnership constitution of the firm.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

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

Outlook: Stable

SMERA believes that the outlook on MIRA's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm is successful in expanding its scale of operations while maintaining a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and liquidity position.

About the Rated Entity-Key Financials

For FY2015-16, MIRA reported profit after tax (PAT) of Rs. 1.09 cr on operating income of Rs. 24.18 cr as against net profit of Rs. 1.80 cr on operating income of Rs. 25.76 cr in the previous year. The net worth stood at Rs. 14.63 cr as on March 31, 2016 as against Rs. 13.20 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY017			FY2017		FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.00 (enhanced from Rs. 1.00 crore)	SMERA BB-/Stable (Reaffirmed)	February 17, 2017	SMERA BB-/Stable (Issuer not co-operating)	October 29, 2015	SMER A BB-/Stabl e (Assig ned)	-	-		
Bank Guarantee	LT	15.00 (enhanced from Rs. 7.00 crore)	SMERA A4+ (Reaffirmed)	Februar y 17, 2017	SMERA A4+ (Issuer not co-operating)	October 29, 2015	SMER A A4+ (Assig ned)	-	-		

***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	N.A	N.A	N.A.	2.00 (enhanced from Rs. 1.00 crore)	SMERA BB-/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A.	15.00 (enhanced from Rs. 7.00 crore)	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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