

Press Release

MIRA CONSTRUCTION

July 24, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

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

Mira Construction is a Mumbai-based partnership firm established in 1984. The firm is engaged in civil construction work for the Municipal Corporation of Greater Mumbai. It undertakes repair & upgradation work of schools, hospital, roads, drains and gardens among others. The operations of the firm are tender based in nature.

Key Rating Drivers

Strengths

- Experienced Partners and established track record of operations**

The firm was established in 1984 and is in the same line of business since inception. Mr. Hitesh Mehta, the Managing Partner has around two decades of experience in civil construction industry. The other Partner, Mr. Bhavesh Madhani has around a decade experience in the same line of business.

- Moderate financial risk profile**

The financial risk profile of the firm continues to remain moderate which is marked by net worth of Rs.11.28 crore as on 31 March, 2018 (Provisional). The gearing ratio (debt to equity) stood comfortable at of 0.20 times as on 31 March, 2018 (Provisional) as compared to 0.07 times in the previous year. The interest coverage ratio stood at 2.72 times in FY2018 (Provisional) and 3.06 times in FY2017. For arriving at the gearing, interest bearing unsecured loan of Rs.11.28 crore as on 31 March, 2018 (Provisional) from partners has been considered as a part of equity (same is subordinated to bank debt).

- Modest order book position**

The firm has unexecuted order book position of Rs.44.00 crore as on 30 June, 2018. The same is to be executed and completed in next three years, thereby providing revenue visibility over the medium term.

Weaknesses

- Modest scale of operations**

The firm is in the same line of business since 1984, but its operations continue to remain modest marked by operating revenue of Rs.32.84 crore for FY2017 which has declined to Rs.22.75 crore in FY2018 (provisional). The decline in operating income is marked by tender based nature of operation which is vulnerable to order cyclical.

- **Working capital intensive**

The operations of the firm are working capital intensive in nature marked by high Gross Current Asset days of 276 for FY2018 (Provisional) which has increased from 230 days in FY2017. However, the firm has comfortable liquidity position with average cash credit limit utilisation at 26.83 percent for last six month ending June 2018.

- **Risk of capital withdrawal**

The firm is exposed to inherent risk of capital withdrawal on account of partnership constitution. The same can be seen through withdrawal in partner's capital in the current year.

- **High competition**

The firm is exposed to high competition from presence of large number of players in the civil construction industry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm for arriving at the rating.

Outlook: Stable

Acuité believes that the firm will maintain 'Stable' outlook over the medium term on account of its experienced partners and established track record. The outlook may be revised to 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.75	32.84	24.18
EBITDA	Rs. Cr.	2.69	3.28	1.98
PAT	Rs. Cr.	1.27	1.65	1.09
EBITDA Margin	(%)	11.82	9.98	8.19
PAT Margin	(%)	5.60	5.02	4.52
ROCE	(%)	19.65	24.10	17.90
Total Debt/Tangible Net Worth	Times	0.20	0.07	0.08
PBDIT/Interest	Times	2.72	3.06	2.67
Total Debt/PBDIT	Times	0.85	0.25	0.43
Gross Current Assets (Days)	Days	276	230	224

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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. Crore)	Ratings/Outlook
02-May-2018	Cash Credit	Long Term	2.00	ACUITE BB- Issuer not co-operating*
	Bank Guarantee	Short Term	15.00	ACUITE A4+ Issuer not co-operating*
20-Mar-2017	Cash Credit	Long Term	2.00 (Enhanced from Rs.1.00 Crore)	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00 (Enhanced from Rs.7.00 Crore)	ACUITE A4+ (Reaffirmed)
17-Feb-2017	Cash Credit	Long Term	1.00	ACUITE BB- Issuer not co-operating*
	Bank Guarantee	Short Term	7.00	ACUITE A4+ Issuer not co-operating*
29-Oct-2015	Cash Credit	Long Term	1.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	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.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité 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 Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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 Acuité.