

Press Release

Mira Construction

September 25, 2019



Rating Upgraded

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

* Refer Annexure for details

Rating Rationale

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

The upward revision in the rating is driven by improvement in financial risk profile over the period under study coupled with growth in operating performance and diversified order book of ~Rs.103.18 crore, executable over next two to three years.

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

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MIRA to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced partners and established track record of operations

The firm is into civil construction work since 1984. The firm is managed by Mr. Navinchandra T. Mehta, Bhavesh Madlani and Mr. Hitesh Mehta, who possess more than two decades of experience in the infrastructure industry. The firm has established healthy relationship with customers and suppliers. Acuité believes that the company will sustain its existing business profile on the back of experienced management over the medium term.

• Improving financial risk profile

MIRA's financial risk profile has shown improvement over the period under study. The net worth improved to Rs.15.64 crore as on 31 March, 2019 (Provisional) from Rs.13.73 crore as on 31 March, 2018. The networth includes interest bearing unsecured loan of Rs.11.31 crore, being subordinate to bank loan as quasi equity. The gearing stood low at 0.07 times as on 31 March, 2019 (Provisional) as compared to 0.20 times as on 31 March, 2018. The gearing is expected to remain low owing to partial subcontracting of work order to third party. The interest coverage ratio has improved in FY2019 to 2.38 times from 2.20 times in FY2018 on account of growth in operating margins. Total outside Liabilities/Tangible Net Worth (TOL/TNW) deteriorated marginally to 1.24 times as on March 31, 2019 (provisional) as against 1.03 times as on March 31, 2018, due to rise in other current liabilities (i.e. deposit from sub-contractors and retention money). Further, the company mainly relies on unsecured borrowing from promoters for working capital requirement.

Acuité believes that going forward the financial risk profile will improve in the absence of capex, while maintaining profitability margins.

• **Modest order book position**

The firm has order book of Rs.103.18 crore as on August 31, 2019 executable over next two to three years. This provides moderate 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 reflected by operating revenue of Rs.27.96 crore for FY 2019 (provisional) as compared to Rs.23.30 crore for FY2018. The firm operates in highly competitive industry and the operating income is linked to the tenders awarded to the firm.

• **Risk of capital withdrawal**

The firm is exposed to inherent risk of capital withdrawal on account of partnership constitution.

Rating Sensitivities

- Substantial improvement in scale of operation (~Rs.40.00-45.00 crore) while maintaining profitability margin of around 12-13 percent over the medium term.
- Withdrawal of partner's capital and unsecured loans leading to deterioration in liquidity position.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Liquidity position

The liquidity position of the company is adequate marked by moderate cash accruals vis-à-vis debt repayment obligation. The cash accruals for FY2019 (provisional) is Rs.1.90 crore as against debt repayment obligation of ~Rs.0.15 crore and the remaining accrual will cushion liquidity. Bank limit are moderately utilized as the firm mainly rely on unsecured borrowings for working capital requirement. The current ratio was moderate at 1.75 times as on March 31, 2019 (provisional).

Outlook: Stable

Acuité believes that MIRA will continue to maintain 'Stable' outlook on account of extensive industry experience of its promoters and well established relationship with government bodies. The outlook may be revised to 'Positive' if there is a substantial improvement in revenue and profitability margins, or working capital management. The outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in the capital structure caused most likely by a stretched working capital.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	27.96	23.30	32.84
EBITDA	Rs. Cr.	3.61	2.48	3.28
PAT	Rs. Cr.	1.86	1.06	1.65
EBITDA Margin	(%)	12.93	10.62	9.98
PAT Margin	(%)	6.67	4.53	5.02
ROCE	(%)	24.82	18.96	24.10
Total Debt/Tangible Net Worth	Times	0.07	0.20	0.07
PBDIT/Interest	Times	3.28	2.20	3.06
Total Debt/PBDIT	Times	0.26	0.89	0.25
Gross Current Assets (Days)	Days	299	267	230

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
24-Jul-2018	Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
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 (Upgraded from ACUITE BB-/Stable)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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