

Press Release

Mahendra Realtors And Infrastructure Private Limited

July 20, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.70 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.70 crore bank facilities of Mahendra Realtors And Infrastructure Private Limited. The outlook is '**Stable**'.

Mahendra Realtors and Infrastructure Private Limited (MRIPL), incorporated in 2007, is a Mumbai-based company promoted by Mr. Bhavesh Shah and Mr. Hemanshu Shah. The company undertakes contracts for BOT projects, specialised structural repair, restoration, waterproofing among others and caters to the Public Works Department, Air India, Mazgaon Dock Limited, Municipal Councils to name a few.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Himanshu Shah and Mr. Bhavesh Shah have over two decades of experience in the said line of business. The company has been able to establish long-standing relations with clients owing to the the promoters' extensive industry experience.

- **Healthy financial risk profile**

The financial risk profile remained healthy marked by low gearing and comfortable coverage indicators. The gearing (debt to equity ratio) stood at 0.48 times as on 31 March, 2017 (Provisional) as against 0.70 times as on 31 March, 2016. The Interest coverage ratio (ICR) stood at 8.33 times (Provisional) in FY2017 as against 4.30 times in FY2016.

- **Comfortable working capital management**

MRIPL has exhibited efficient working capital management. The Gross current asset days stood at 122 in FY2017 (Provisional), a decrease from 203 days in FY2016. The company has unencumbered cash and bank balance of Rs. 4.69 crore. The bank facility utilisation stood at ~65 per cent for the six months ended May 2017.

- **Reputed clientele**

MRIPL has executed various projects for government entities including National Co-operative Construction & Development Federation of India Ltd, The City and Industrial Development Corporation of Maharashtra Ltd, Life Insurance Corporation of India, Mumbai Metropolitan Region Development Authority and the Public Works Department.

Weaknesses

- **Modest scale of operations and tender based business**

For FY2017 (Provisional) MRIPL reported operating income of Rs.38.15 crore as against Rs.34.73 crore in FY016. However, the operations are tender based. Further, the company has a moderate order book with unexecuted orders of Rs. 26.45 crore, which provides revenue visibility for the near term.

• **Dependence on government departments**

Going forward, the ability of the company to sustain orders from government organisations would define its performance over the medium term.

• **Competitive and fragmented industry**

The company is engaged as a civil contractor and is exposed to intense competition in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MRIPL.

Outlook: Stable

SMERA believes that MRIPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenues while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or high working capital requirements increasing pressure on margins.

About the Rated Entity - Key Financials

For 2015-16, MRIPL reported net profit after tax (PAT) of Rs.1.46 crore on operating income of Rs.34.79 crore as against PAT of Rs. 1.23 crore on operating income of Rs. 42.93 crore. The tangible net worth stood at Rs. 11.00 crore as on 31 March, 2016 as against Rs.8.78 crore in the previous year. Further, the company reported net profit after tax (PAT) of Rs. 2.36 crore (Provisional) on operating income of Rs. 38.15 crore. Moreover, the networth stood at Rs. 13.23 crore for FY2017 (Provisional).

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
28-Mar-2016	Cash Credit	Long Term	INR 6	SMERA BB+ / Stable
	Overdraft	Long Term	INR 2.45	SMERA BB+ / Stable
	Bank Guarantee I	Short Term	INR 3.18	SMERA A4+

	Bank Guarantee II	Short Term	INR 0.37	SMERA A4+
	Bank Guarantee III	Short Term	INR 2.7	SMERA A4+

*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	6.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.18	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.37	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.70	SMERA A4+
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.45	SMERA BB+ / Stable

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ABOUT SMERA

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