

Press Release

CMM INFRAPROJECTS LIMITED (CMMIL)

March 22, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 130.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BBB**' (read as **SMERA BBB**) and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 130.00 crore bank facilities of CMM INFRAPROJECTS LIMITED. The outlook is '**Stable**'.

CMM Infraprojects Limited (CMMIL) a civil construction company was incorporated at Indore in 2006, by Mr. Kishan Mundra, Mrs. Laxmidevi Mundra and Mrs. Samta Mundra. CMMIL has its head office in Indore and five branch offices are located at Maharashtra, Madhya Pradesh, Orissa, Bihar and Rajasthan. CMM, incorporated in 2006, is an Indore-based company that undertakes infrastructure projects and civil construction work for the governments of Madhya Pradesh, Orissa, Bihar among others. The promoter, Mr. Kishan Mundra has around two decades of experience in the civil construction business. CMMIL is listed on NSE.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

CMMIL is primarily engaged in the field of government infrastructure projects and civil construction for the last 30 years and has a long track record of executing projects in a reasonable time frame. The director of CMMIL, Mr. Kishan Mundra has an experience of over two decades in aforementioned line of business. CMMIL has executed projects for Ministry of Human Resource Development, Ministry of Defence, NTPC limited, Bank of India, and Power Grid Corporation of India Limited. All these departments, being a government entity, counter-party default risk remains minimal. Although, risk associated with delayed payment exist but due to good liasoning and promoter's extensive experience, CMMIL managed to collect payments within 45-60 days from work certification. With the promoter's extensive industry experience, timely execution of projects, the company has been able to establish long-standing relationship with its client.

• Moderate Financial Risk Profile

CMMIL has moderate financial risk profile marked by tangible net worth of Rs. 27.55 crore as on 31 March 2017 as against Rs. 21.68 crore as on 31 March 2016. The gearing ratio stood at 1.55 times as on 31 March 2017 as against 1.77 times as on 31 March 2016. The debt of Rs. 42.60 crore mainly consists of term loans of Rs. 22.83 crore and working capital borrowing of Rs. 19.76 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 3.47 times for FY 2017 as against 2.37 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.29 times for FY 2017 as against 1.09 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.86 times as on 31 March 2017 as against 3.76 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.20 times as on 31 March 2017 as against 0.10 times as on 31 March 2016.

• Healthy growth in revenues and profitability margins

The revenues of CMMIL improved to Rs 202.08 crore in FY2017 from Rs 178.77 crore in FY2016. Further, during the period April 2017 to January 2018, the firm has booked revenues of ~Rs. 190.00 crore. The Operating margins improved to 5.93 percent in FY2017 from 4.87 percent in FY2016. PAT margins stood at

2.91 percent in FY2017 as compared to 1.31 percent in FY2016. The company has a healthy executable order book of ~Rs.1030.00 crore.

Weaknesses

• Average Working Capital cycle

CMMIL has average working capital cycle marked by high Gross Current Asset (GCA) of 130 days in FY2017 compared to 147 days in FY2016. The GCA days are mainly dominated by high debtor days of 43 days in FY2017 compared to 50 days in FY2016. The average cash credit utilization for the past six months stood at ~80 percent

• Competitive industry scenario

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 12 years.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes CMM Infraprojects Limited will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	202.08	178.77	145.28
EBITDA	Rs. Cr.	11.98	8.70	7.14
PAT	Rs. Cr.	5.88	2.34	1.93
EBITDA Margin	(%)	5.93	4.87	4.91
PAT Margin	(%)	2.91	1.31	1.33
ROCE	(%)	18.49	14.12	14.71
Total Debt/Tangible Net Worth	Times	1.55	1.77	1.13
PBDIT/Interest	Times	3.47	2.37	2.47
Total Debt/PBDIT	Times	3.56	4.41	3.07
Gross Current Assets (Days)	Days	130	147	144

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

None

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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
22-Aug-2017	Cash Credit	Long Term	INR 25	SMERA BBB-
	Bank Guarantee	Short Term	INR 60	SMERA A3
	Proposed Cash Credit	Long Term	INR 5	SMERA BBB-
	Proposed Bank Guarantee	Short Term	INR 40	SMERA A3
30-Mar-2016	Cash Credit	Long Term	INR 25	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 60	SMERA A3
	Proposed Cash Credit	Long Term	INR 5	SMERA BBB- / Stable
	Proposed Bank Guarantee	Short Term	INR 40	SMERA A3

*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	30.00	SMERA BBB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	100.00	SMERA A3+

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ABOUT SMERA

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