

Press Release

M. M. Construction

13 July, 2017

Rating Upgrade



Total Bank Facilities Rated*	Rs.12.00 Cr
Long Term Rating	SMERA B+/Stable (Upgraded form SMERA B/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

SMERA has upgraded the ratings on the Rs.12.00 crore bank facilities of M. M. Construction to **'SMERA B+' (read as SMERA B plus)** from **'SMERA B' (read as SMERA B)** and reaffirmed the short term rating of **'SMERA A4' (read as SMERA A four)**. The outlook is **'Stable'**.

MM Construction (MM), a partnership firm incorporated in 2001 by Mr. Mukesh Hansraj Shah and Mrs. Deepti Jaswantrai Shah is engaged in the construction and maintenance of roads. The firm undertakes tender based orders from Municipal Corporation of Greater Mumbai (MCGM).

List of Key Rating Drivers and their detailed description

Strengths

Experienced management: The firm, led by Mr. Mukesh Hansraj Shah and Mrs. Deepti Jaswantrai Shah is engaged in the aforementioned business for more than a decade.

Long term association with civic authorities: The firm executes civil work such as building and maintenance of roads for Municipal Corporation of Greater Mumbai (MCGM), a government organisation. The firm has been able to establish long term relations with MCGM.

Moderate order book: MM has moderate order book size of Rs. 28.93 crore which provides revenue visibility for a year.

Average financial risk profile: MM has average financial risk profile marked by low gearing of 0.10 times as on 31 March, 2017 (Provisional). The ICR is moderate at 1.51 times as on 31 March, 2017 (Provisional) as against 1.29 times in the previous year. The NCA/TD stood at 0.50 times for FY2016-17 (Provisional). The ROCE is average at 13.35 per cent for FY2017 as against 10.63 per cent for FY2016. The tangible net worth is healthy at Rs.16.65 crore as on 31 March, 2017 (Provisional) which includes unsecured loans of Rs. 13.65 crore treated as quasi equity.

Weaknesses

Moderate scale of operations due to the tender based business: The operations of the firm are moderate despite the firm being in the line of business for more than a decade. The revenue stood at Rs. 21.03 crore for FY2016-17 (Provisional) as compared to Rs.14.23 crore for FY2015-16. The nature of business is tender based.

Customer and geographic concentration risk: The firm is exposed to customer and geographic concentration risk since it depends solely on MCGM for business. Any disruption in the socio-political environment may thus have a bearing on the activities of the firm.

Competitive and fragmented industry: The firm is exposed to intense competition in the civil construction business which is marked by the presence of several mid to big sized players. Risk is more pronounced due to the tender based nature of business.

Applicable Criteria

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

Outlook - Stable

SMERA believes that the outlook on MM Construction's rated facilities will remain stable on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the firm sustains revenue growth along with improved profitability and maintains its capital structure. Conversely, the outlook may be revised to 'Negative' if the firm fails to scale up on expected revenues and profitability or the working capital cycle deteriorates.

About the Rated entity – key financials

For FY2016-17 (Provisional) MM Construction reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs. 21.03 crore compared to PAT of Rs.0.36 crore on operating income of Rs. 14.23 crore in FY2015-16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-April-2016	Cash Credit (Proposed)	Long Term	2.00	SMERA B / Stable (Assigned)
	Bank Guarantee/Letter of Guarantee (Proposed)	Short Term	10.00	SMERA A4 (Assigned)

***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	SMERA B+/Stable (Upgraded)
Bank Guarantee/ Letter of Guarantee	N.A	N.A	N.A	10.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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