

Press Release

Maa India Projects

August 22, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of 'SMERA B-' (read as SMERA B minus) and short term rating of 'SMERA A4' (read as SMERA A four) on the Rs. 5.00 crore bank facilities of Maa India Projects. The outlook is 'Stable'.

MAA India Projects is a Karnataka-based partnership firm established in 2005 by Mr. A. Gopikrishna and Mr. S. Hariprasad. The firm, a Class I civil contractor for the Government of Karnataka, undertakes construction and maintenance of roads. The nature of operations are tender based.

Key Rating Drivers

Strengths

- Experienced and qualified management**

The promoters, Mr. A. Gopikrishna and Mr. S. Hariprasad, civil engineers, have more than a decade of experience in the civil construction business.

- Moderate order bookposition**

The firm has moderate order book position of Rs. 14.55 crore which provides revenue visibility for the medium term.

- Improvement in profitability margins**

MIP has registered improvement in profitability margins. The EBITDA margins stood at 7.82 per cent in FY2017 (Provisional) as against 5.38 per cent in FY2016 and 4.23 per cent in FY2015 on account of decrease in raw material prices. Further, the PAT margins improved to 4.67 per cent in FY2017 (Provisional) from 4.25 per cent in FY2016.

Weaknesses

- Uneven revenue trend**

The revenue trend of the firm is uneven with operating income of Rs. 4.76 crore in FY2017 (Provisional) as against Rs. 8.08 crore in FY2016 and Rs. 0.98 crore in FY2015. This is on account of the tender based nature of business and dependence on government entities for revenue.

- Moderate financial riskprofile**

The firm has moderate financial risk profile marked by low networth of Rs.2.94 crore as on 31 March, 2017 (Provisional) as against Rs. 1.41 crore as on 31 March, 2016. The gearing stood low at zero times as on 31 March, 2017 as against 0.19 times in the previous year. The interest coverage ratio stood at 7.82 times for FY2016-17 (Provisional) as against 6.18 times for FY2015-16.

- Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 338 for FY2017

(Provisional) as against 157 in FY2016. This is on account of high debtor days of 163 in FY2017 (Provisional) as against 148 days in FY2016 as all the receivables are from government entities. The creditor days are also stretched and stood at 302 days in FY2017 (Provisional) as against 371 days in FY2016.

• Competitive and fragmented industry

The civil construction sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players in the sector. However, the risk is mitigated to an extent as the management has been operating in the industry for over a decade.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm would maintain a stable outlook and continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the firm reports substantial and sustainable revenues or operating margins resulting in improvement in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further elongates resulting in weakening of its financial risk profile especially liquidity or if its undertakes significant debt-funded capex over the medium term.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional) MIP reported profit after tax (PAT) of Rs.0.22 crore on operating Income of Rs. 4.76 crore compared with profit after tax (PAT) of Rs.0.34 crore on operating income of Rs. 8.08 crore for FY2015-16. The tangible networth stood at Rs.2.94 crore as on 31 March, 2017 (Provisional) as against Rs. 1.41 crore a year earlier.

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
17-May-2016	Cash Credit	Long Term	INR 1	SMERA B- / Stable
	Bank Guarantee	Short Term	INR 4	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	1.00	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

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ABOUT SMERA

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