

Press Release

Multiurban Infra Services Private Limited

February 01, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 11.30 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 plus) from '**ACUITE BB**' (read as ACUITE double B) and reaffirmed the short term rating of '**ACUITE A4+** (read as ACUITE A four plus) on the Rs. 11.30 crore bank facilities of Multiurban Infra Services Private Limited (MISPL). The outlook is '**Stable**'.

The rating upgrade reflects consistent growth in revenues, healthy order book position and moderate financial risk profile of the company. The revenue of the company has grown at a CAGR of 65 percent for the period FY2016 to FY2018. Acuité expects the revenues to grow in the near to medium term backed by healthy order book position.

The Nagpur based Multiurban Infra Services Private Limited (MISPL) was incorporated in 2007 by Mr. Praveen Rander (Managing Director). The company is engaged in undertaking turnkey projects related to water supply and maintenance. MISPL operates in various states including Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan, Andhra Pradesh and Chhattisgarh among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the MISPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

MISPL, incorporated in 2007, has an operational track record of over a decade in the infrastructure sector. The director Mr. Praveen Rander has experience of over a decade in the aforementioned line of business. The long track record of operations, experience of management and timely execution of projects has helped the company develop healthy relationship with its customers and suppliers. Acuité believes that MISPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Healthy order book position**

The revenues of MISPL stood at Rs.51.99 crore in FY2018 compared to Rs.49.60 crore in FY2017. Further, in FY2019, the company has reported revenue of Rs.52.00 crore till 15 January 2019. The company has unexecuted order book of Rs.186.49 crore as on 31 December 2018 expected to be executed within next three years and is in the process of finalizing orders worth Rs.213.33 crore. Acuité believes that the company will sustain the revenue growth over the medium term on account of healthy order book position.

- **Moderate financial risk profile**

The financial risk profile of MISPL is moderate marked by moderate net worth, debt protection measures and gearing. The net worth of company is moderate at Rs.18.32 crore as on 31 March 2018 (including Rs. 5.02 crore of quasi equity) as against Rs. 13.68 crore as on 31 March 2017 (including Rs.3.05 crore of quasi equity). The gearing (debt-equity) stood at 0.55 times as on 31 March 2018 as against 0.18 times as on 31 March 2017. Total debt of Rs. 10.16 crore as on 31 March 2018 is working

capital borrowings. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.49 times as on 31 March 2018 as against 0.95 times as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 2.82 times in FY2018 as against 3.26 times in FY2017.

Acuité believe the company to maintain its financial risk profile over the medium term in absence of any major debt funded capex plans.

Weaknesses:

- **Moderate working capital operations**

The working capital operations of the company are moderate marked by Gross Current Assets (GCA) of 142 days for FY2018 as against 75 days in the previous year. This is mainly due to increase in inventory of 90 days for FY2018 as against 42 days for FY2017. However, the company is able to manage its working capital cycle effectively due payments received within a week's time as most of the projects are already funded before the tender allocation with debtors of 18 days for FY2018 as against 6 days for FY2017. Further, the average cash credit limit utilization stood at 91.75 percent during the last six months ended as on 31 December 2018.

- **Susceptibility of margins to fluctuations in raw material prices**

The company's margins are susceptible to volatility in raw material prices (i.e. HDPE pipes and DI pipes). Adverse changes in crude oil prices will lead to fluctuation in raw material prices affecting the profitability of the company. However, the company reported EBITDA margin of 8.63 percent in FY2018 as against 7.92 percent in the previous year. PAT margin stood at 5.14 percent in FY2018 as against 5.52 percent in FY2017. However, this risk is mitigated with a price escalation clause providing cushion for increase in prices of raw material.

- **Competitive and fragmented industry**

The company is engaged as EPC contractor for drinking water supply schemes. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk has become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

Liquidity Profile

MISPL has adequate liquidity marked by healthy net cash accruals against no major debt obligations. The company generated cash accruals of Rs. 2.89 crore for FY2018 against no debt obligations for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.3.50 crore to Rs. 6.00 crore during 2019-21 with no debt obligation. The company's working capital operations are moderate marked by gross current asset (GCA) days of 142 in FY2018. However, the cash credit limit utilization stood at 91.75 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs. 0.14 crore as on March 31 2018. The current ratio stands healthy at 1.73 times as on March 31 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no debt repayments over the medium term.

Outlook: Stable

Acuité believes MISPL will maintain a stable business risk profile over the medium term owing to its established operations, experienced management and healthy order book position. The outlook may be revised to 'Positive' if the company registers significant growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability margins, a stretched working capital cycle, or any large debt-funded capital expenditure, resulting in deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	51.99	49.60	19.03
EBITDA	Rs. Cr.	4.49	3.93	1.77
PAT	Rs. Cr.	2.67	2.74	1.04
EBITDA Margin	(%)	8.63	7.92	9.32
PAT Margin	(%)	5.14	5.52	5.49
ROCE	(%)	21.25	27.84	35.09
Total Debt/Tangible Net Worth	Times	0.55	0.18	0.65
PBDIT/Interest	Times	2.82	3.26	2.81
Total Debt/PBDIT	Times	2.04	0.57	2.10
Gross Current Assets (Days)	Days	142	75	166

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

India Ratings and Research, vide its press release dated Sept 20, 2018 had denoted the rating of Multiurban Infra Services Private Limited as 'IND BBB-/ A3; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
13-Oct-2018	Cash Credit	Long Term	INR 6.5	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	INR 4.8	ACUITE A4+ (Indicative)
17-Aug-2017	Cash Credit	Long Term	INR 6.5	ACUITE BB / Stable (Indicative)
	Bank Guarantee	Short Term	INR 4.8	ACUITE A4+ (Indicative)
18-May-2016	Cash Credit	Long Term	INR 6.5	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	INR 4.8	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	6.50	ACUITE BB+ /Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.80	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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