

Press Release

Mathru Buildtech Private Limited

October 01, 2020



Rating Assigned and downgraded

Total Bank Facilities Rated	Rs. 19.01 crore (Enhanced from Rs.15 crore)
Long Term Rating	ACUITE B+/ Stable (Assigned and Downgraded from ACUITE BB-)
Short Term Rating	ACUITE A4 (Reaffirmed)

Rating Rationale

Acuité has assigned and downgraded the long term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.19.01 crore bank facilities of Mathru Buildtech Private Limited(MBPL). The outlook is '**Stable**'.

The rating downgrade is primarily on account of increased liquidity challenges in the company driven by continuous rise in the Gross Current Asset (GCA) days resulting in high utilization of the bank limits. The rating continues to factor in the high gearing levels and weak debt protection measures. Going forward, the company's ability to achieve significant improvement in the capital structure while managing working capital efficiently would remain a key rating monitorable.

Incorporated in 2010, Mathru Buildtech Private Limited (MBPL) is a Bangalore based company which undertakes turnkey projects for plumbing, interior designing and electrical installation works. The company is promoted by Mr. Umesh Kulavalli, Mr. Satish Malagadde, Mr. Hukumchand S and Mr. Sarvesh Malangi. It mainly undertakes projects for private entities such as D Mart and ITC Limited.

Analytical Approach

Acuité has considered the standalone business and risk profile of MBPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The management of the MBPL has more than a decade of experience in the civil construction industry. Acuité believes that the extensive experience of the management has enabled the company to maintain healthy relationships with their reputed customers, including D Mart and ITC Limited and suppliers, including The India Cement Limited.

Weaknesses

- **Below average financial risk profile**

The company's below-average financial risk profile is marked by modest net worth, high gearing and weak debt protection metrics. The net worth of the company increased to Rs.7.06 crores as on March 31, 2020(Provisional), compared to Rs.5.46 crores on March 31, 2019 due to retention of profits. The gearing of the company stood high at 3.42 times as on March 31, 2020(Provisional) as against 3.72 times as on March 31, 2019. The debt of Rs.24.15 crores mainly consists of long term debt of Rs.12.89 crores, short term debt of Rs.7.38 crores, unsecured loans of Rs.2.34 crores and maturing obligations of Rs.1.55 crores as on March 31, 2020(Provisional). The NCA/TD (Net Cash accruals to total debt) stood at 0.07 times in FY2020 (provisional) as compared to 0.06 times in FY2019. The weak debt protection metrics of the company is marked by The NCA/TD (Net Cash accruals to total debt) stood at 0.07 times in FY2020 (provisional) as compared to 0.06

times in FY2019, Debt Service Coverage Ratio (DSCR) which stood at 1.05 times in FY2020 (provisional) as against 1.02 times in FY2019 and Interest Coverage Ratio which stood at 1.81 times in FY2020 (provisional) as against 1.69 times in FY2019. The Debt/EBITDA stood high at 4.64 times in FY2020 (Provisional) against 4.76 times in FY2019. Acuité believes that the financial risk profile of the company to remain the same due to moderate accruals in the medium term.

• Working capital intensive operations

The operations of the firm have remained working capital intensive marked by high Gross Current Asset (GCA) days of 452 days in FY2020 (provisional) as against 444 days in FY2019. The high GCA days emanates from high other current assets of Rs.19.91 crores as on March 31, 2020(provisional) compared to Rs. 22.05 crores as on March 31, 2019. The other current assets consist of security deposits and advances to suppliers. The inventory days stood high at 120 days in FY2020 (provisional) against 117 days in FY2019. Further, the debtor days also stood at 51 days in FY2020 (provisional) compared to 50 days in FY2019. The credit period allowed to their customers is about 60 to 90 days. Acuité believes that improvement in working capital management will remain a key credit monitorable over the medium term.

Rating Sensitivity

- Reduction in working capital cycle
- Decline in the gearing levels

Material Covenants

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by company's operations are working capital intensive marked by high gross current asset (GCA) days of 452 days in FY2020(provisional) compared to 444 days in FY2019. The bank limit remains utilized at 93 percent over six months ended on August, 2020. The company has availed loan moratorium and a COVID loan of Rs. 1.2 crores. MBPL has moderate cash accruals of Rs.1.60 crore in FY2020 (provisional) against debt repayments of Rs.1.55 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.0.71 crores to Rs.2.12 crores over the medium term. The unencumbered cash and bank balances stood at Rs.0.62 crores as on March 31, 2020 (Provisional). However, the current ratio stood comfortable at 2.22 times as on March 31, 2020 (provisional) as compared to 2.18 times as on March 31, 2019. Acuité believes that the liquidity of the company will remain at the same levels in the presence of their working capital intensive operations over the medium term.

Outlook: Stable

Acuité believes that going forward, the outlook of MBPL will remain 'Stable' over the medium term on account of their experienced promoters. The outlook may be revised to 'Positive' in case the company registers a reduction in the working capital cycle with considerable improvement in financial risk profile. The outlook may be revised to 'Negative' in case of a dip in the company's scale of operations or in case of further lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	29.64	25.12
PAT	Rs. Cr.	1.59	1.20
PAT Margin	(%)	5.37	4.77
Total Debt/Tangible Net Worth	Times	3.42	3.72
PBDIT/Interest	Times	1.81	1.69

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-Mar-2020	Proposed secured overdraft	Long Term	10.00	ACUITE BB- (Indicative)
	Proposed bank guarantee	Short Term	5.00	ACUITE A4 (Indicative)
5-Jan-2019	Proposed secured overdraft	Long Term	10.00	ACUITE BB- (Indicative)
	Proposed bank guarantee	Short Term	5.00	ACUITE A4 (Indicative)
16-Jan-2018	Proposed secured overdraft	Long Term	10.00	ACUITE BB- (Indicative)
	Proposed bank guarantee	Short Term	5.00	ACUITE A4 (Indicative)
16-Sep-2016	Proposed secured overdraft	Long Term	10.00	ACUITE BB-/Stable (Assigned)
	Proposed bank guarantee	Short Term	5.00	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/ Stable (Downgraded from ACUITE BB-)
Working capital term loan	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+/ Stable (Downgraded from ACUITE BB-)
Term loan	Not Available	Not Available	Not Available	3.31	ACUITE B+/ Stable (Assigned)
Term loan	Not Available	Not Available	Not Available	3.70	ACUITE B+/Stable (Assigned)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed)
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Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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