

Press Release

M M Brothers (MMB)

March 07, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. Cr. 65.00 (Enhanced from Rs. 40.00 Cr.)
Long Term Rating	SMERA BB+ /Outlook: Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer annexure for details*

SMERA has upgraded the Long term rating to '**SMERA BB+**' (read as **SMERA double B plus**) from **SMERA BB**' (read as **SMERA double B**) and reaffirmed short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.40.00 crore bank facility of M M Brothers (MMB). The outlook is '**Stable**'

Further SMERA has assigned the Long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.25.00 crore bank facility of M M Brothers (MMB). The outlook is '**Stable**'

MMB is a Rajasthan-based proprietorship firm established in 1980 and converted into a partnership firm in April 2010 to undertake power and transmission projects for the government. The firm executes electrical works such as laying of underground cable, erection and commissioning of sub-stations, survey, installation for government bodies.

Key rating drivers

Strengths

Long track record of operation and experience management

M.M. Brothers (MMB) was established in the 1980s by Mr. Dhoop Chand Sogani as a proprietorship concern, MMB was reconstituted as a partnership firm in April 2010 with the partners Mr. Dhoop Chand Sogani, Mr. Sunil Sogani and Mrs. Sangeeta Sogani. The promoters have an experience of more than three decades in the industry.

Moderate Financial Risk Profile

The financial risk profile of MMB is moderate marked by net worth (Including Quasi Equity) of Rs.19.80 crore as on 31 March, 2017 as compared to Rs.14.54 crore as on 31 March, 2016. The increase in net worth in FY2017 is due to infusion of unsecured loans to the tune of ~Rs.4.00 crore. Gearing (debt-equity) stood at 0.62 times as on 31 March, 2017 as compared to 0.39 times as on 31 March, 2016. The interest coverage ratio stood at 1.73 times for FY2016-17 as

compared to 1.88 times for FY2015-16. Further, SMERA believes the financial risk profile of the company will remain moderate in absence of debt funded capex.

Weaknesses

Working Capital intensive nature of operations

MMB has in working capital intensive nature of operations marked by high Gross Current Asset (GCA) days of 222 days in FY2016-17 as compared to 243 days in FY2015-16. The inventory days stood at 45 in FY2016-17 as against 75 in FY 2015-16. Further, working capital limits are fully utilized for last six months.

Moderate scale of operations due to tender based nature of business

The operations of the MMB are considered to be at moderate level despite the firm being in the construction business from last 37 years. The company has achieved operating income of Rs. 47.53 crore in FY2016-17 as compared to Rs.47.24 crore in FY2015-16. Being a civil contractor, the revenue of MMB depends on the number of successful bids and the tenders being released in the financial year.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MMB to arrive at the rating.

Outlook – Stable

SMERA believes that the MMB will maintain a moderate business risk profile in the medium term on the back of experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in revenue, capital structure while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue, profitability and capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	47.53	47.24	40.15
EBITDA	Rs. Cr.	4.77	3.75	2.95
PAT	Rs. Cr.	1.89	1.57	0.93
EBITDA Margin	(%)	10.04	7.94	7.36
PAT Margin	(%)	3.97	3.32	2.31
ROCE	(%)	20.12	17.82	29.00
Total Debt/Tangible Net Worth	Times	0.62	0.39	0.37
PBDIT/Interest	Times	1.73	1.88	1.58
Total Debt/PBDIT	Times	2.09	1.51	1.75
Gross Current Assets (Days)	Days	222	243	194

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.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
14 th December, 2016	Cash Credit	Long Term	5.00	SMERA BB/ Stable (Assigned)
	Letter of Credit	Short Term	5.00	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	30.00	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	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhance from Rs. 5.00 crore)	SMERA BB+/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	53.00 (Enhanced from Rs 30.00 crore)	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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