

Press Release

M M Brothers

June 29, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.97.00 Cr.
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.97.00 crore bank facilities of M. M. Brothers (MMB). The outlook is '**Stable**'.

Jaipur based, M. M. Brothers was established as a proprietorship concern in 1980 by Late Mr. Dhoop Chand Sogani and was reconstituted as a partnership firm in April 2010. Mr. Mukesh Sogani, Mr. Sunil Sogani and Mrs. Sangeeta Sogani are the partners of the firm. MMB is a government contractor for electrical works, such as laying of underground cable, erection and commissioning of sub-stations. The firm further executes survey, installation, testing, shifting of line/ cable, street lighting work and commissioning of 11 KV to 33 KV electrical lines, meters and transmission towers.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MMB to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management.

MMB was established in 1980 and is engaged in the execution of electrical works, such as laying of underground cable, erection and commissioning of sub-stations. The firm has established track record of around four decades in the aforementioned line of business. Mr. Mukesh Sogani, Mr. Sunil Sogani and Mrs. Sangeeta Sogani are the partners of the firm are ably supported by an experienced team which has extensive experience in its respective domain. Also, the firm has a healthy order book position of Rs.303.15 crore and the orders are spread across various government entities of Rajasthan, Kolkata, Delhi, Jammu and Kashmir and M.P. Acuite believes that the firm will continue to benefit from its established track record of operations and experienced management

• Healthy financial risk profile

The financial risk profile of the firm stood healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.26.96 crore as on March 31, 2021 (Prov.) as against Rs.26.88 crore as on March 31, 2020. The total debt of the firm stood at Rs.21.39 crore includes Rs.2.31 crore of long term debt, Rs.13.01 crore of unsecured loans and Rs.6.07 crore of short term debt as on March 31, 2021 (Prov.). The gearing (debt-equity) stood low at 0.79 times as on March 31, 2021 (Prov.) as compared to 1.07 times as on March 31, 2020. Interest Coverage Ratio stood at 1.99 times for FY2021 (Prov.) as against 2.78 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.99 times for FY2021 (Prov.) as against 2.78 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.14 times as on March 31, 2021 (Prov.) as against 1.66 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.17 times for FY2021 (Prov.) as against 0.26 times for FY2020.

Acuite believes that the financial risk profile of the firm is expected to remain at the same level over the medium term.

Weaknesses

• Working capital intensive operations_

The operations of the firm are working capital intensive operations marked by Gross Current Asset (GCA) days of 409 days in FY2021 (Prov.) as against 262 days in FY2020. High GCA days are due to high receivables period of 126 days in FY2021 (Prov.) as against 44 days in FY2020. Inventory days stood at 98 days in FY2021 (Prov.) as against 61 days in FY2020. The average bank limit utilization remained high at around 65 percent for the past trailing 6 months ended March 2021.

Acuite believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

• Risk of capital withdrawal

The firm is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Improving scale of operations while improving profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.3.55-Rs.18.70 crore during the last three years through 2018-20, while the debt obligations is around Rs.1.00 crore to Rs.1.50 crore over the same period. The company's working capital operation is intensive marked by gross current asset (GCA) of 409 days in FY2021 (Prov.) as against 262 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.0.03 crore as on March 31, 2021 (Prov.). The current ratio of the firm stood at 3.39 times as on March 31, 2021 (Prov.). The average bank limit utilization stood low at around 65 percent for the last 6 months ended March 2021.

Outlook: Stable

Acuite believes that the firm will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	41.65	83.35
PAT	Rs. Cr.	3.28	7.35
PAT Margin	(%)	7.88	8.82
Total Debt/Tangible Net Worth	Times	0.79	1.07
PBDIT/Interest	Times	1.99	2.78

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
04-Mar-2020	Cash Credit	Long Term	7.00	ACUITE BBB-/ Stable (Upgraded)
	Overdraft Facility	Long Term	2.00	ACUITE BBB-/ Stable (Upgraded)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Upgraded)
	Bank Guarantee I	Short Term	53.00	ACUITE A3 (Upgraded)
	Bank Guarantee II	Short Term	30.00	ACUITE A3 (Upgraded)
29-Dec-2018	Cash Credit	Long Term	7.00	ACUITE BB+/ Stable (Reaffirmed)
	Overdraft Facility	Long Term	2.00	ACUITE BB+/ Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee I	Short Term	53.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee II	Short Term	30.00	ACUITE A4+ (Assigned)
07-Mar-2018	Cash Credit	Long Term	7.00 (Enhanced from Rs.5.00 crore)	ACUITE BB+/ Stable (Upgraded from ACUITE BB /Stable)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	53.00 (Enhanced from Rs.30.00 crore)	ACUITE A4+ (Reaffirmed)
14-Dec-2016	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB-/Stable (Reaffirmed)
Overdraft Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	53.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Reaffirmed)

*Overdraft of Rs.2.00 crore interchangeable with Bank Guarantee

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