



**Press Release**  
**M M BROTHERS**  
**December 26, 2023**  
**Rating Assigned and Reaffirmed**

| Product                                   | Quantum<br>(Rs. Cr) | Long Term Rating                  | Short Term Rating      |
|---|---------------------|-----------------------------------|------------------------|
| Bank Loan Ratings                         | 5.00                | ACUITE BBB-   Stable   Assigned   | -                      |
| Bank Loan Ratings                         | 9.00                | ACUITE BBB-   Stable   Reaffirmed | -                      |
| Bank Loan Ratings                         | 34.00               | -                                 | ACUITE A3   Assigned   |
| Bank Loan Ratings                         | 88.00               | -                                 | ACUITE A3   Reaffirmed |
| <b>Total Outstanding Quantum (Rs. Cr)</b> | 136.00              | -                                 | -                      |

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 9 Cr and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs.88 crore of bank facilities of **M M Brothers (MMB)**. The outlook is '**Stable**'.

Further Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 5 Cr and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on Rs.34 crore of bank facilities of **M M Brothers (MMB)**. The outlook is '**Stable**'.

**Rationale for the rating**

The rating action takes into account improved Business, Financial risk profile and adequate liquidity Position. Firm reported growth in revenue from operations by ~102.25% in FY2023 to Rs. 139.50 crore as against Rs. 68.98 crore for FY2022. The operating profit margin of the firm stood at 10.69 percent in FY 23. firm reported PAT of Rs 11.13 crore in FY 23 as against Rs 5.85 crore in FY 22. Financial risk profile of the firm improved with improvement in gearing, moderate net worth & improved coverage indicators. The Total Tangible net worth stood at Rs. 53.82 Cr as on 31st March 2023 as against Rs. 35.92 Cr a year earlier. Interest coverage ratio stood at 4.11 times for FY2023 and Debt Service coverage ratio stood at 3.97 times for FY2023. However these strengths are underpinned by high working capital requirement and decrease in operating margin.

Acuite believes that the firm's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

**About the Company**

Established in 1980, M. M. Brothers is a government contractor for electrical works, such as Laying of underground cable, erection and commissioning of Sub-Stations, survey, installation, testing, Shifting of line/cables, street lighting work and commissioning of 11 kilovolt (KV) to 33 KV electrical lines, transmission towers, and meters. M. M. Brothers was established by Late Mr. Dhoop Chand Sogani as a proprietorship concern, MMB was reconstituted as a partnership firm in April 2010.

**Unsupported Rating**  
Not Applicable

## Analytical Approach

Acuite has considered standalone financial and business risk profile of M M Brothers to arrive at the rating

## Key Rating Drivers

### Strengths

#### Business risk profile

MMB's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~102.25% in FY2023 to 139.50 crore as against Rs. 68.98 crore for FY2022. The operating profit margin of the firm went down by 244 bps in FY 23. Operating Profit Margin of firm stood at 10.69% in FY2023 as against 13.13% in FY2022 likewise the net profit margin of the firm declined by 50 bps and stood at 7.98 percent in FY2023 as against 8.48 percent in FY 22. However EBITDA in absolute no. increased from Rs 9.05 crore in FY 22 to Rs 14.91 crore in FY 23. ROCE of the firm stood at 30.32 percent in FY2023. Firm has current unexecuted order in hand of Rs ~441 crore to be executed till FY26. It is expected that the firm will achieve Revenue of Rs ~180 crore in FY 24. Coupled to this firm has Bid under process of Rs~239 crore.

#### Financial Risk Profile- Comfortable

Firm has comfortable financial risk profile marked by moderate net worth, low gearing and comfortable coverage indicators. The Total Tangible net worth stood at Rs. 53.82 Cr as on 31st March 2023 as against Rs. 35.92 Cr a year earlier. Increase in net worth is on account of Profit accretion and increase in subordinated unsecured loans.

Firm follows conservative leverage policy marked by low gearing. Debt to Equity ratio improved and stood at 0.07 times in FY 2023 as against 0.13 times in FY 22.

Interest coverage ratio increased by 136 bps and yet stood comfortable at 4.11 times for FY2023 as against 2.76 times in FY2022. Increase in Interest coverage ratio is on higher Earnings in FY 23 in comparison to FY 22. Likewise, Debt Service coverage ratio increased by 121 bps and stood comfortable 3.97 times for FY2023 as against 2.76 times in FY2022.

### Weaknesses

#### Working capital operations- High

Company has High working capital requirements as evident from gross current assets (GCA) of 196 days in FY2023 as compared to 159 days in FY2022. Intensiveness of Working capital is on account of High Inventory Days. Inventory days stood at 91 days in FY2023 as against 54 days in FY 22. Debtors days stood at 32 days in FY 23 (41 days in FY22).

#### Geographical and clientele concentration

The firm executes majority of orders for State Government entities. In addition to this, there is also concentration of order book with top three orders constituting to ~93% of total order book. Further, there is also client concentration wherein 50% of order is being executed for 'JDVNL, Jodhpur'. Hence, timely execution of same is critical from rating perspective.

#### Tender based operation

The industry is unorganized and highly competitive and hence, the revenue generation is dependent on ability of company in succeeding in receiving tenders.

#### Withdrawal of capital

As MMB is a partnership firm, there is also a risk of capital withdrawal which can impact financial risk profile of the firm. However, there has not been any major withdrawal in last three years.

### Rating Sensitivities

Significant improvement in order book.

Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

Any delay in execution of work orders

Firm's ability to improve the profitability margin

**All Covenants**

None

**Liquidity Position****Adequate**

Firm has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 11.70 crore for FY2023 as against obligations of Rs. 0.14 crores for the same period. Current Ratio stood at 2.07 times as on 31 March 2023 as against 2.57 times in the previous year. Fund based working capital limits are utilized at ~69 per cent during the last twelve months ended Oct 23 while non fund based limit utilization is 84 percent leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of firm stood at Rs 0.02 crores.

**Outlook:Stable**

Acuité believes that the outlook on MMB will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

**Other Factors affecting Rating**

None

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## Key Financials

| Particulars                   | Unit    | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income              | Rs. Cr. | 139.50         | 68.98          |
| PAT                           | Rs. Cr. | 11.13          | 5.85           |
| PAT Margin                    | (%)     | 7.98           | 8.48           |
| Total Debt/Tangible Net Worth | Times   | 0.07           | 0.13           |
| PBDIT/Interest                | Times   | 4.11           | 2.76           |

### 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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook   |
|-------------|--------------------------------|------------|-----------------|--|
| 27 Sep 2022 | Bank Guarantee                 | Short Term | 47.00           | ACUITE A3 (Reaffirmed)                                   |
|             | Cash Credit                    | Long Term  | 7.00            | ACUITE BBB-   Stable (Reaffirmed)                        |
|             | Secured Overdraft              | Long Term  | 2.00            | ACUITE BBB-   Stable (Reaffirmed)                        |
|             | Bank Guarantee                 | Short Term | 38.00           | ACUITE A3 (Reaffirmed)                                   |
|             | Letter of Credit               | Short Term | 3.00            | ACUITE A3 (Reaffirmed)                                   |
| 29 Jun 2021 | Cash Credit                    | Long Term  | 7.00            | ACUITE BBB-   Stable (Reaffirmed)                        |
|             | Bank Guarantee                 | Short Term | 30.00           | ACUITE A3 (Reaffirmed)                                   |
|             | Secured Overdraft              | Long Term  | 2.00            | ACUITE BBB-   Stable (Reaffirmed)                        |
|             | Bank Guarantee                 | Short Term | 53.00           | ACUITE A3 (Reaffirmed)                                   |
|             | Letter of Credit               | Short Term | 5.00            | ACUITE A3 (Reaffirmed)                                   |
| 04 Mar 2020 | Bank Guarantee                 | Short Term | 83.00           | ACUITE A3 (Upgraded from ACUITE A4+)                     |
|             | Secured Overdraft              | Long Term  | 2.00            | ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable) |
|             | Letter of Credit               | Short Term | 5.00            | ACUITE A3 (Upgraded from ACUITE A4+)                     |
|             | Cash Credit                    | Long Term  | 7.00            | ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable) |

## Annexure - Details of instruments rated

| Lender's Name        | ISIN           | Facilities           | Date Of Issuance | Coupon Rate    | Maturity Date  | Complexity Level | Quantum (Rs. Cr.) | Rating                                     |
|----------------------|----------------|----------------------|------------------|----------------|----------------|------------------|-------------------|--|
| Punjab National Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable   | Not Applicable | Not Applicable | Simple           | 47.00             | ACUITE A3<br> <br>Reaffirmed               |
| Yes Bank Ltd         | Not Applicable | Bank Guarantee (BLR) | Not Applicable   | Not Applicable | Not Applicable | Simple           | 38.00             | ACUITE A3<br> <br>Reaffirmed               |
| ICICI Bank Ltd       | Not Applicable | Bank Guarantee (BLR) | Not Applicable   | Not Applicable | Not Applicable | Simple           | 15.00             | ACUITE A3<br> <br>Assigned                 |
| HDFC Bank Ltd        | Not Applicable | Bank Guarantee (BLR) | Not Applicable   | Not Applicable | Not Applicable | Simple           | 19.00             | ACUITE A3<br> <br>Assigned                 |
| Punjab National Bank | Not Applicable | Cash Credit          | Not Applicable   | Not Applicable | Not Applicable | Simple           | 7.00              | ACUITE<br>BBB-  <br>Stable  <br>Reaffirmed |
| Punjab National Bank | Not Applicable | Letter of Credit     | Not Applicable   | Not Applicable | Not Applicable | Simple           | 3.00              | ACUITE A3<br> <br>Reaffirmed               |
| Yes Bank Ltd         | Not Applicable | Secured Overdraft    | Not Applicable   | Not Applicable | Not Applicable | Simple           | 2.00              | ACUITE<br>BBB-  <br>Stable  <br>Reaffirmed |
| ICICI Bank Ltd       | Not Applicable | Secured Overdraft    | Not Applicable   | Not Applicable | Not Applicable | Simple           | 5.00              | ACUITE<br>BBB-  <br>Stable  <br>Assigned   |

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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