

## Press Release

### Magan Construction

November 19, 2018

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of Magan Construction (MC). The outlook is '**Stable**'.

Magan Construction (MC), a Mumbai-based proprietorship firm was established in 2009 by Mr. Jaswant B Shah. The firm undertakes civil construction work such as building repair work, water retaining structure on tender basis for government organisations including Maharashtra Housing and Area Development Authority (MHADA) and Brihan Mumbai Municipal Corporation (BMC) in Mumbai.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Experienced management**

The proprietor of the firm has been in civil construction industry for a decade.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by improvement in net worth. Net worth stood at Rs.6.25 crore as on 31 March, 2018 (Provisional). The gearing (debt-to-equity ratio) improved to 1.40 times as on March 31, 2018 (Provisional) compared to 2.66 times as on 31 March, 2017. The total debt of Rs.9.28 crore as on 31 March, 2018 (Provisional) includes unsecured loans to the tune of Rs.7.57 crore from promoters and relatives and Rs. .71 crore of working capital funding. The interest coverage ratio (ICR) stood at 2.46 times for FY2018 (Provisional) and 2.41 times for FY2017.

### Weaknesses

- **Uneven revenue trend**

The revenue of the firm has depicted uneven trend over the period under study. The turnover stood at Rs.23.29 crore in FY18 (Provisional) as compared to Rs.31.70 crore in FY17 and Rs.17.64 crore in FY16. The turnover declined in FY18 due to cancellation of four tender. However, the firm has been able to maintain its profitability margins over the last two financial years. The EBITDA margin stood at 13.87 percent in FY18 (Provisional) as compared to 12.89 percent in FY17.

- **Tender driven business**

The business risk profile is constrained by the tender based business. The firm participates majorly in tenders floated by BMC and MHADA. This industry is marked by presence of many small and large players.

### Outlook: Stable

Acuite believes that MC's outlook will remain 'Stable' and the firm will benefit over the medium term from the experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while improving working capital cycle and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability, higher than envisaged debt funded working capital requirements deteriorating the financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.29	31.70	17.64
EBITDA	Rs. Cr.	3.23	4.09	2.30
PAT	Rs. Cr.	1.98	2.61	1.18
EBITDA Margin	(%)	13.87	12.89	13.05
PAT Margin	(%)	8.49	8.23	6.70
ROCE	(%)	19.95	29.29	21.49
Total Debt/Tangible Net Worth	Times	1.40	2.66	4.69
PBDIT/Interest	Times	2.46	2.41	1.90
Total Debt/PBDIT	Times	2.76	2.84	4.19
Gross Current Assets (Days)	Days	100	69	133

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-40.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
25-Sep-2017	Cash Credit	Long Term	2.00	ACUITE B / Stable (Assigned)
	Bank Guarantee	Short Term	8.00	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	2.00	ACUITE B / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

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## About Acuité Ratings & Research:

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