

Press Release

Magan Construction

November 19, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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

Acuité 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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