

Press Release

Miura Infrastructure Private Limited

March 30, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 25.00 Cr. (Reduced from Rs.30.50 Cr.)
Long Term Rating	ACUITE BBB/Stable (Upgraded)
Short Term Rating	ACUITE A3+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.25.00 crore bank facilities of Miura Infrastructure Private Limited. The outlook is '**Stable**'.

The rating upgrade is on account of consistent improvement in profitability margin along with improvement in the overall financial risk profile of the company. The improvements in profit margins are expected to be sustained over the medium term. The upgrade also takes into account the adequate liquidity position of the company during the period.

Miura Infrastructure Private Limited (MIPL) was established in 2005 by Mr. Gaurav Himatsingka. The company is engaged in the fabrication and erection of steel structures and machine equipment. The fabrication unit is located at Bhilai, Chhattisgarh. The day-to-day operations are managed by Mr. Gaurav Himatsingka and his brother, Mr. Vivek Himatsingka.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of MIPL while arriving at the rating.

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

Established in 2005, the company has a track record of more than 15 years in the fabrication business. The promoters of the company Mr. Gaurav Himatsingka and Mr. Vivek Himatsingka have a business experience spanning more than 15 years. The company has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

Comfortable financial risk profile

The financial risk profile of the company is marked by modest net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.23.08 crore in FY 2020 as compared to Rs 18.15 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.14 times as on March 31, 2020 when compared to 0.47 times as on March 31, 2019. This improvement in gearing is mainly on account of lower utilization of short term debt and improvement in networth of the company during the period. Interest coverage ratio (ICR) stood at 5.56 times in FY2020 as against 3.70 times in FY 2019. The debt service coverage ratio (DSCR) of the company stood at 4.43 times in FY2020 as compared to 3.12 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 1.97 times in FY2020 as compared to 0.52 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain at current comfortable levels backed by no major debt funded capital expenditure plan over the medium term along with steady cash accruals.

Improving profitability margin coupled with moderate scale of operation

The operating profitability margin of the company have increased and stood at 13.96 per cent in FY2020 as compared to 11.45 per cent in the previous year. This improvement in operating profitability margin is on account of decrease in material cost during the period. Acuité believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by the management's focus on the bottom line and bid in project accordingly. The net profitability margin of the company stood at 8.07 per cent in FY2020 as compared to 4.55 per cent in the previous year.

The turnover levels of the company stood moderate at Rs.58.24 crore in FY2020 as compared to Rs.59.96 crore in the previous year. This slight deterioration in revenue of the company is mainly on account of lower sales during the year end due to nation-wide lock down. Currently, the company has achieved revenue of Rs.54.62 crore till 31st January, 2021 (Prov.). Further, the company has unexecuted order book of Rs. 62.26 crore as on 1st March 2021 which imparts revenue visibility over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 171 days in FY2020 as compared to 152 days in the previous year. The inventory holding period of the company has increased and stood high at 197 days in FY2020 as compared to 174 days in the previous year. This increase in inventory is on account of increase in work-in-progress inventory during the year end which further coincided with the nationwide lock-down. The debtor days of the company stood comfortable at 10 days in FY2020 as compared to 25 days in the previous year. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Susceptibility to volatility in raw material prices

The company purchases steel; hence, the prices of these commodities are highly volatile in nature. Thus, the margins of the company are susceptibility to volatility in raw material prices on account of its inability to pass on the increase in the price to its customers. However, the risk is mitigated to an extent as the procurement is done only once the orders have been received from the customers.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The liquidity position of the company is marked by net cash accruals of Rs.6.30 crore as against nil long term debt obligations during FY2020. The cash accruals of the company are estimated to remain in the range of around Rs. 6.69 crore to Rs. 7.31 crore during 2021-23 as against no long term debt obligations going forward. The current ratio of the company stood comfortable at 1.61 times in FY2020. The bank limit of the company has been not utilized during the last six months ended in February 2021. Moreover, the company has not availed the covid emergency fund and neither availed the loan moratorium till August 2020. However, the working capital management of the company is marked by Gross Current Asset (GCA) days of 171 days in FY2020. Acuité believes that the liquidity of the company is likely to remain healthy over the medium term on account of stable cash accruals against no long debt repayments over the medium term.

Outlook: Stable

Acuité believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers along with healthy financial risk profile. The outlook may be revised to "Positive" in case the company registers significant increase in scale of operations while maintaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	58.24	59.96
PAT	Rs. Cr.	4.70	2.73
PAT Margin	(%)	8.07	4.55
Total Debt/Tangible Net Worth	Times	0.14	0.47
PBDIT/Interest	Times	5.56	3.70

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-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
31-Jan-2020	Cash Credit	Long Term	7.50	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	23.00	ACUITE A3 (Reaffirmed)
27-Nov-2018	Cash Credit	Long Term	7.50	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	23.00	ACUITE A3 (Reaffirmed)
03-Nov-2017	Cash Credit	Long Term	7.50	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	19.50	ACUITE A3 (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	2.00	ACUITE BBB/Stable (Upgraded)
Bank* Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3+ (Upgraded)

*Fully interchangeable with Letter of Credit

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	

About Acuité Ratings & Research:

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