

Press Release

MKC Infrastructure Limited

February 04, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 132.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 132.00 crore bank facilities of MKC Infrastructure Limited (MKC). The outlook is '**Stable**'.

The Gujarat based MKC (the erstwhile MKC Infrastructure, a partnership firm established in 1963 by Mr. Manjibhai K. Bambhania and Mr. Rameshbhai M. Bambhania) was converted to public limited company in Dec 2009. The company is led by Mr. Purshottambhai Bambhania and Mr. Ashokbhai M. Bambhania. The company undertakes construction of roads, bridges, pipeline, commercial and residential complex projects for the state, central government's public sector organisations among others. The company is registered as "AA" class contractor with government of Gujarat, 'Special Road Category-I for roads, highways, bridges buildings. The company is also registered with NBCC, Kandla Port Trust & Engineering Projects (I) Ltd to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MKC to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The company has track record of over five decades in the construction industry. It is a family run business with the third generation having taken over the reins currently. Mr. Purshottambhai Bambhania and Mr. Ashokbhai M. Bambhania have over three decades of experience in the industry. The long track record of over five decades has helped the company establish long term relations with customers and suppliers.

Acuite believes that MKC will continue to benefit from its experienced management and long track record of operations.

• Strong revenue visibility

The company has unexecuted order-book of Rs.1243.49 crore as on 30 September, 2018 of which orders worth Rs.191.41 crore are expected to be executed in FY2019. Further, the company has booked revenues of Rs.309.69 crore during April to December, 2018 (Provisional). The healthy order book provides strong revenue visibility over the near to medium term.

Acuite believes that the healthy order book and emphasis on infrastructure development by the government will support revenue growth over the near to medium term.

Weaknesses

• Uneven revenue trend due to the tender based nature of operations

MKC reported operating income of Rs. 358.65 crore for FY2018 as against Rs. 200.62 crore for FY2017 and Rs. 261.43 crore for FY2016. The uneven trend in its revenue is mainly on account of tender based nature of operations which makes it vulnerable to order cyclicity. The firm is exposed to intense competition from organised and unorganised players in the civil construction industry.

• Working capital intensive operations

The operations are working capital intensive evident from the gross current asset days (GCA) of 158 for FY2018 as against 175 days for FY2017. This is mainly on account of high debtor days of 139 as on 31 March, 2018 and high amount of deposits to be maintained with customers including tender deposits and retention money.

Liquidity Position

MKC has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.10.75 to 22.10 crore during the last four years through 2015-18, while its maturing debt obligations were in the range of Rs.1.50-10.34 crore over the same period. The cash accruals of the company are estimated to remain around Rs.27.60- 37.05 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 1.67-8.39 Crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 158 in FY 2018. This has led to relatively high reliance on working capital borrowings, the cash credit limit in the company remains utilized at ~93 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs. 2.73 crore as on March 31, 2018. The current ratio of the company stand moderate at 1.35 times as on March 31, 2018. The company is not likely to incur capex. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that MKC will maintain a stable outlook in the medium term on account of its experienced management coupled with healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected net cash accruals or if the financial risk profile deteriorates due to elongated working capital cycle or large than expected debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	358.65	200.62	261.43
EBITDA	Rs. Cr.	28.94	18.56	14.80
PAT	Rs. Cr.	17.47	8.53	10.82
EBITDA Margin	(%)	8.07	9.25	5.66
PAT Margin	(%)	4.87	4.25	4.14
ROCE	(%)	30.41	27.16	31.89
Total Debt/Tangible Net Worth	Times	0.31	0.45	0.12
PBDIT/Interest	Times	6.31	3.04	6.97
Total Debt/PBDIT	Times	0.72	1.17	0.34
Gross Current Assets (Days)	Days	158	175	176

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
09-Jan-2018	Cash Credit	Long Term	10.00	ACUITE BBB / Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	121.00	ACUITE A3+ (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	10.18	ACUITE BBB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.82	ACUITE BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	121.00	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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