

Press Release

M H Khanusiya

22 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 40.00 crore bank facilities of M. H. Khanusiya (MHK). The outlook is '**Stable**'.

MHK was established in 1995 as a proprietorship firm and converted to a partnership firm in 2012 by Murtaja H. Khanusiya and his son, Mr. Izaz Murtajali Khanusiya (Partners). Subsequently, in 2017, Mr. Anish Murtajali Khanusiya joined the firm as a partner. The firm is a Class A contractor and undertakes civil construction work - mainly earthwork and structural work for railways (construction of railway bridges, stations, platforms, coach yards and related fabrication work). The firm mainly caters to the Western and North Western Railways of Madhya Pradesh, Rajasthan, Maharashtra and Gujarat.

List of key rating drivers and their detailed description

Strengths

Established track record of operation and experienced promoters

MHK has track record of more than two decades in the civil construction industry. The firm undertakes structural work for canals and dams, airport runways among others. The operating income grew from Rs.17.22 crore in FY2014 to Rs.23.93 crore in FY2017 as a result of executing main contracts as opposed to sub-contracts in the previous years.

MHK also benefits from the extensive experience of its promoters - Mr. Murtaja H. Khanusiya, Mr. Izaz Murtajali Khanusiya and Mr. Anish Murtajali Khanusiya who collectively possess more than three decades of experience in the civil construction industry. Going forward, SMERA expects the firm to maintain its business risk profile supported by the established presence and experience of promoters.

Healthy revenue visibility

MHK has unexecuted orders of Rs. 327.00 crore as on 31 October, 2017 expected to be executed over the next 24 months which provides revenue visibility for the medium term.

Moderate financial risk profile

The financial risk profile is moderate marked by tangible networth of Rs. 5.98 crore as on 31 March, 2017 as against Rs. 3.59 crore in the previous year. The gearing stood at 2.05 times as on 31 March, 2017 as against 2.20 times in the previous year. The total debt of Rs. 12.27 crore as on 31 March, 2017 includes long term debt of Rs. 1.72 crore and Rs. 10.55 crore.

The Interest Coverage ratio is comfortable at 3.51 times for FY2017 as against 3.58 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.34 times for FY2017 as against 0.28 times in the previous year.

The Total outside Liabilities to Tangible Network is on the higher side as the same stood at 4.54 times as on 31 March, 2017 as against 4.38 times in 31 March, 2016. The other current liabilities include creditors for good and sub-contractor expenses. It is a general practice in the civil construction segment to fund part of the working capital requirement through trade payables and other payables. Going forward, SMERA expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

Weaknesses:

Tender based operations and customer concentration risk

The revenue is entirely tender based and depends on the number of tenders floated and the ability of the firm to successfully bid for the same. The firm mainly caters to the Western and North Western Railways and has contracts for Madhya Pradesh, Rajasthan, Maharashtra and Gujarat. However around 55 percent of the unexecuted projects are concentrated in Rajasthan.

Intense market competition

The firm is exposed to intense competition from organised and unorganised players in the civil construction industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of M. H. Khanusiya.

Outlook: Stable

SMERA believes that the outlook on MHK's rated facilities will remain stable over the medium term on account of the extensive experience of the promoters and established presence in the civil construction industry. The outlook may be revised to 'Positive' if the firm registers significant growth in revenue and profitability while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals resulting in deterioration of its financial risk profile.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.22	54.51	17.22
EBITDA	Rs. Cr.	5.61	2.78	1.40
PAT	Rs. Cr.	3.39	1.79	0.56
EBITDA Margin	(%)	6.22	5.09	8.12
PAT Margin	(%)	3.76	3.27	3.23
ROCE	(%)	34.09	26.71	32.41
Total Debt/Tangible Net Worth	Times	2.05	2.20	2.42
PBDIT/Interest	Times	3.51	3.58	2.12
Total Debt/PBDIT	Times	2.19	2.84	4.19
Gross Current Assets (Days)	Days	94	108	222

Applicable Criteria

- Infrastructure Entities – <https://www.smera.in/criteria-infra.htm>
- Default Recognition - <https://www.smera.in/criteria-deafault.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

***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	N.A	N.A	N.A.	15.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	25.00	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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