

Press Release

Mythri Infra

25 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB** (read as SMERA triple B) and short term rating of '**SMERA A3+** (read as SMERA A three plus) on the Rs. 80.00 crore bank facilities of Mythri Infra (MI). The outlook is '**Stable**'.

Mythri Infra is a Vizag-based partnership firm established by Mr. T. Srinivasa Rao in 2012. The firm is a registered Super Class Contractor and caters to the Public Works Department, Govt. of Odisha. It is engaged in the execution of mining, earth excavation, super control blasting work among others. The operations commenced in October 2015. Currently, the business is led by Mr. T. Srinivasa Rao and his son, Mr. T. Balapawan.

Key Rating Drivers

Strengths

Experienced management

The firm was established by T. Srinivasa Rao, who possesses experience of around 20 years in the mining industry. Mr. Rao undertook mining work for Utkal Alumina International Limited (Hindalco Division- Aditya Birla Group), from 2004. Currently, the business is led by Mr. T. Srinivasa Rao and his son, Mr. T. Balapawan.

Healthy order book position

Over the years, Mr. T. Srinivasa Rao has executed several mining projects for Utkal Alumina International Limited (Hindalco Division- Aditya Group), KV Mohana Rao & Company Private Limited, National Aluminum Company Limited (NALCO) and Vedanta Aluminum Limited. MI currently has healthy order book position of Rs. 694.66 crore which lends comfortable revenue visibility over the medium term.

Robust financial risk profile

The financial risk profile is robust marked by healthy net worth base, comfortable gearing and debt-protection metrics. The net worth stood at Rs.86.07 crore as on 31 March, 2017 compared to Rs. 15.66 crore as on 31 March, 2016. The gearing improved to a comfortable 0.49 times in FY2017 as against 1.26 times in FY2016. The debt profile of Rs 42.03 crore consists of Rs 17.36 crore of cash credit facilities from banks and equipment loan of Rs 24.67 crore. The debt protection metrics is healthy marked by Interest Coverage ratio of 20.66 times in FY2017 compared to 13.27 times in FY2016. The DSCR stood at 14.24 times in FY2017 and 13.27 times in FY2016. The NCA/TD stood at 0.97 times in FY2017 as against 0.49 times in FY2016. The firm currently has annual repayment obligations of ~ Rs 12.00 crore for which SMERA believes that MI will have sufficient cash accruals.

Prudent working capital cycle

The firm has prudent working capital cycle. The Gross Current Asset days improved to 96 days in FY2017 from 126 days in FY2016. The improvement in the GCA days is on account of improvement in debtor days to 56 in FY2017 as against 100 days in FY2016. The firm generally receives payment from the counter party within 10-15 days of raising the bills. The average utilisation in CC limit is ~ 61.00 per cent during the last nine months ended Dec 2017.

Weaknesses

Tender based business and intense competition

The firm is engaged in mining and allied activities through tender based operations. The firm is also exposed to the uncertainty with regard to winning of tenders and faces competition from regional and national players too.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of MI.

Outlook: Stable

SMERA believes that the firm will maintain a Stable outlook and continue to benefit over the medium term from its management's extensive experience and healthy financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustainable increase in revenue and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability margins, or significant deterioration in its capital structure due to stretch in working capital cycle. Large debt-funded capital expenditure undertaken by the firm may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	180.46	79.58
EBITDA	Rs. Cr.	61.09	9.11
PAT	Rs. Cr.	34.24	7.90
EBITDA Margin (%)	(%)	33.85	11.44
PAT Margin (%)	(%)	18.97	9.93
ROCE (%)	(%)	69.90	47.28
Total Debt/Tangible Net Worth	Times	0.49	1.26
PBDIT/Interest	Times	20.66	13.27
Total Debt/PBDIT	Times	0.66	1.90
Gross Current Assets (Days)	Days	96	126

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infrastructure.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	21.00	SMERA BBB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	59.00	SMERA A3+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head - Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*