

Press Release

Mythri Infra

March 07, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 100.00 Cr. (Enhanced from Rs.80.00 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. 100.00 crore bank facilities of Mythri Infra (MI). The outlook is '**Stable**'.

Analytical Approach

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

MI is a Vizag (Andhra Pradesh) based partnership firm established by Mr. T. Srinivasa Rao in 2012. The operations of the firm commenced on October 2015. The firm is a registered Super Class Contractor for Public Works Department (PWD), Govt. of Odisha and is engaged in execution of mining works, earth work excavation, super control blasting, construction of buildings, roads, canal lining, fabrication and erection works. Currently, the business is looked after by Mr. T. Srinivasa Rao and his son, Mr. T. Balapawan.

Key Rating Drivers

Strengths

Experienced management and long track record

The firm was established by T. Srinivasa Rao, who has executed various mining works since last twenty years through a proprietorship concern and has executed mining work for Utkal Alumina International Limited (Hindalco Division- Aditya Birla Group), since 2004.

Healthy order book position

Over the years, the firm has successfully executed mining projects for Utkal Alumina International Limited (Hindalco Division of Aditya Birla Group), KV Mohana Rao & Company Private Limited, National Aluminum Company Limited (NALCO) and Vedanta Aluminum Limited; which has resulted in repeat contracts from the customers. MI, currently, has a healthy order book position of Rs. 525 crore which lends comfortable revenue visibility over the medium term. The order book position of Rs.525 crore consist of Rs.342 crore from a single project of Utkal Aluminium International Limited, whereas the balance of Rs.183 crore is from NALCO, Odisha Mining Corporation Limited, NMDC Limited, Vedanta Limited which will be executed by next financial year.

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.105.91 crore as on 31 March, 2018 compared to Rs. 86.07 crore as on 31 March, 2017. The gearing stood comfortable at 0.58 times in FY2018 as against 0.49 times in FY2017. Debt profile of Rs.61.77 crore as on 31 March, 2018 consists of Rs.21.92 crore of cash credit facilities from banks and equipment loan of Rs.39.85 crore. The debt protection metrics stood strong marked by Interest Coverage ratio of 12.46 times in FY2018 as compared to 20.66 times in FY2017. The NCA/TD stood at 0.62 times in FY18 as against 0.97 times in FY17.

Healthy profitability metrics

The profitability metrics of the firm stood healthy marked by operating margins of 28.98 per cent in FY 2018 as against 33.85 per cent in FY 2017. The dip in operating margins is on account of rise in the cost of raw materials such as bricks, sand and steel. The net profit margins of the firm stood healthy at 14.39 per cent in FY 2018 as compare to 18.97 per cent in the previous year. The healthy profit margins have resulted in cash accruals to the tune of ~ Rs.40.00 crore in the last two financial years (FY 2017 and FY 2018). Further, the healthy cash accruals has resulted in limited dependence on bank lines where the firm has utilised ~ 22 per cent of the fund based limit of Rs.25.00 crore during the 12 month ended December 2018.

Weaknesses

Unrelated diversification

The rating is constrained on account of the unrelated diversification on account of undertaking real estate project in the firm. The firm, as a practice, utilises healthy cash accruals by investing in land which is developed into real estate properties. The firm currently has land bank of ~Rs.91 crore as on 31 December, 2018. In addition, MI has currently undertaken a real estate property development in Visakhapatnam. The total project cost is ~Rs.47.00 crore (Land cost of Rs.17 crore + construction cost of Rs.30 crore) to be funded from internal accruals. The project is expected to fetch ~Rs.80 crore. Of the total project cost of ~ Rs.47 crore, the firm has incurred construction cost of ~Rs.30 crore till December 2018 (Provisional). The project is likely to be completed in the next 10-12 months.

Going forward, the ability of the firm to segregate the civil construction and real estate business in different firm would be a key rating sensitivity.

Tender based business and competition from other players

The firm is into mining and allied activities and undertakes tender based operations which pose a risk of uncertainty in the awarding of tenders as the firm faces competition from the other players while bidding for tenders.

Liquidity Position:

The firm has adequate liquidity profile marked by net cash accruals in the range of Rs.40 crore against Rs.30 crore debt obligations during the same period. The fund based working capital limit remains utilised at ~ 22 per cent during the 12 months period ended December 2018.

Outlook: Stable

Acuite believes that MI will maintain 'Stable' outlook over the medium term from experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and successfully segregates the real estate business from the firm. Conversely, the outlook may be revised to 'Negative' in case of dip in profitability margins resulting in weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	195.64	180.46	79.58
EBITDA	Rs. Cr.	56.71	61.09	9.11
PAT	Rs. Cr.	28.16	34.24	5.14
EBITDA Margin	(%)	28.98	33.85	11.44
PAT Margin	(%)	14.39	18.97	6.46
ROCE	(%)	32.58	69.90	47.28
Total Debt/Tangible Net Worth	Times	0.58	0.49	1.26
PBDIT/Interest	Times	12.46	20.66	13.27
Total Debt/PBDIT	Times	1.06	0.66	1.90
Gross Current Assets (Days)	Days	132	96	126

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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-Jan-2018	Cash Credit	Long Term	21.00	ACUITE BBB /Stable (Assigned)
	Bank Guarantee	Short Term	59.00	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	25.00 (Enhanced from Rs 21 crore)	ACUITE BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	75.00 (Enhanced from Rs 59 crore)	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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