

Press Release

07 March, 2018

Meenesh Contractors and Developers Private Limited (MCDPL)

Rating Reaffirmed and Assigned



Total Bank Facilities Rated *	Rs.16.00 crore
Long Term Rating	SMERA BB/ Outlook: Stable (Reaffirmed and Assigned)
Short Term Rating	SMERA A4+ (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 15.55 crore bank facilities of Meenesh Contractors & Developers Private Limited (MCDPL). Further, SMERA has also assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 0.45 crore bank facility. The outlook is '**Stable**'.

The Jaipur based MCDPL, a civil construction company was incorporated in 2003 by Mr. Babulal Meena. It caters to Public Works Department, Indian Railway Department, Rajasthan State Warehousing Corporation among others under the Pradhan Mantri Gram Sadak Yojana (PMGSY).

Key Rating Drivers

Strengths

Experienced management

The operations commenced in 2004. The promoters, Mr. Raj Kumar Sethi, Mr. Anil Kumar Meena and Mr. Sachin Kumar Meena have experience of more than a decade in civil construction. The company is registered as 'AA' class contractor with Public Works Department for construction of roads and highways, bridges and buildings.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by net worth of Rs.7.41 crore as on 31 March, 2017 as against Rs.3.47 crore as on 31 March, 2016. The gearing stood at a low of 0.13 times as on 31 March, 2017 as against 0.07 times in the previous year. The Interest Coverage Ratio (ICR) stood at 3.38 times for FY2017 and 3.84 times for FY2016. The Total Outside Liabilities to Tangible Network (TOL/TNW) stood at 1.67 times as on 31 March, 2017 compared to 2.14 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.73 times in FY2017 as against 2.04 times in FY2016. The Return on Capital Employed (ROCE) stood at 16.12 percent in FY2017 and 20.99 percent in FY2016.

Healthy order book position

The company has healthy order book position with unexecuted orders in hand of around Rs.44.26 crore as on December, 2017 that provides revenue visibility over the near to medium term.

Weaknesses

Modest scale of operations

The scale of operations is modest with operating income of Rs.16.74 crore in FY2017. The revenue declined from Rs. 28.71 crore in FY2015 to Rs.25.19 crore in FY2016 due to slowdown in order flow. The company registered revenue of Rs.22 crore from April to December, 2018.

Intense competition

MCDPL's business risk profile is exposed to intense competition in the civil construction business.

High dependence on Government orders

Since the company caters to government organisations including Indian Railway, Rajasthan State Warehousing Corporation among others slowdown in order flow can impact revenues.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Meenesh Contractors and Developers Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that MCDPL will maintain a Stable outlook over the medium term owing to its experienced management, healthy order book position and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability with successful sourcing and execution of projects. Conversely the outlook may be revised to 'Negative' in case of delays in project execution leading to lower profitability and deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.74	25.19	28.71
EBITDA	Rs. Cr.	1.09	1.44	2.15
PAT	Rs. Cr.	0.51	0.70	0.80
EBITDA Margin	(%)	6.54	5.70	7.48
PAT Margin	(%)	3.02	2.78	2.77
ROCE	(%)	16.12	20.99	28.88
Total Debt/Tangible Net Worth	Times	0.13	0.07	0.22
PBDIT/Interest	Times	3.38	3.84	3.00
Total Debt/PBDIT	Times	0.67	0.27	0.52
Gross Current Assets (Days)	Days	255	207	154

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 Entity - <https://www.smera.in/criteria-infra.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

Date	Facilities	Term	Amount (Rs. Crore)	Rating Outlook
30 Nov, 2017	Cash Credit	Long Term	0.50	SMERA BB (Indicative)
	Bank Guarantee	Short Term	4.45	SMERA A4+ (Indicative)
	Proposed Cash Credit	Long Term	0.50	SMERA BB (Indicative)
	Proposed Bank Guarantee	Short Term	10.55	SMERA A4+ (Indicative)
25 Aug, 2016	Cash Credit	Long Term	0.50	SMERA BB/stable (Assigned)
	Bank Guarantee	Short Term	4.45	SMERA A4+ (Assigned)
	Proposed Cash Credit	Long Term	0.50	SMERA BB/stable (Assigned)
	Proposed Bank Guarantee	Short Term	10.55	SMERA A4+ (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	0.50	SMERA BB / Stable (Reaffirmed)
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA BB / Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+ (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB/Stable (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.55	SMERA A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury, President- SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smera.in</p> <p>Disha N. Parmar, Rating Analyst Tel: 022-67141120 Email: disha.parmar@smera.in</p>	<p>Varsha Bist, Manager- Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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