

Press Release

M. T Patil Builders and Contractors Private Limited

18 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 23.50 Cr.
Long Term Rating	SMERA BB+/ Outlook: 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.23.50 crore bank facilities of M. T Patil Builders and Contractors Private Limited (MPBC). The outlook is '**Stable**'.

The Nashik-based MPBC was incorporated in 1997 by Mr. M.T Patil. The company is engaged in the construction of roads and bridges for government and semi government entities.

Key rating drivers

Strengths

Established track record of operations and experienced management

The Directors, Mr. Madhav Patil and Mr. Ranjit Patil have more than two decades of experience in the civil construction business. This has helped develop healthy relations with customers and suppliers.

Average financial risk profile

MPBC has average financial risk profile marked by tangible net worth of Rs.11.19 crore as on 31 March, 2017 as against Rs.10.03 crore as on 31 March, 2016. The company registered gearing of 0.64 times as on 31 March, 2017 as against 0.87 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 4.77 times for FY2017 as against 4.73 times in FY2016. The company posted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) of 0.74 times as on 31 March, 2017 as against 1.08 times as on 31 March, 2016. Going forward, SMERA expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Comfortable working capital management

The company has a comfortable working capital management marked by Gross Current Assets (GCA) days of 34 in FY2017 as compared to 58 in FY2016. The GCA days are mainly dominated by debtor days of 1 in FY2017 as against 13 in FY2016.

Weaknesses

Highly competitive landscape, tender based business

The company is exposed to intense competition in the industry. The operations are tender based. As a result, the risk is more pronounced as tenders are based on the minimum amount of bidding of contracts. However, this risk is mitigated by the established track record of the company.

Modest scale of operations

The scale of operations is modest. The company registered operating income of Rs.38.88 crore in FY2016-17 and Rs.38.80 crore in FY2015-16. Since business is tender based, revenue depends on the number of successful bids in a financial year. Further, the timely completion of projects is a key rating sensitivity factor.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MPBC to arrive at the rating.

Outlook – Stable

SMERA believes that MPBC's outlook will remain 'Stable' over the medium term on account of the extensive experience of the management and financial risk profile. The outlook may be revised to 'Positive' in case of sustainable improvement in its revenue profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or delays in project completion.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.88	38.80	73.48
EBITDA	Rs. Cr.	4.15	3.57	6.55
PAT	Rs. Cr.	1.17	1.13	2.40
EBITDA Margin	(%)	10.69	9.19	8.92
PAT Margin	(%)	3.00	2.92	3.27
ROCE	(%)	14.85	13.00	50.35
Total Debt/Tangible Net Worth	Times	0.64	0.87	1.26
PBDIT/Interest	Times	4.77	4.73	4.69
Total Debt/PBDIT	Times	1.70	2.24	1.65
Gross Current Assets (Days)	Days	34	58	37

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <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.smerra.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	8.50	SMERA BB+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

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ABOUT SMERA

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