

Press Release

M P Engineering Constructions (India) Private Limited

25 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 65.00 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**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 65.00 crore bank facilities of M P Engineering Constructions (India) Private Limited (MPECPL). The outlook is '**Stable**'.

MPECPL was established as a partnership firm in 1984 and converted to a private limited in 2002 by Mr. M.P. Varghese and Ms. Mary Varghese. MPECPL is engaged in the laying of pipelines for liquefied petroleum gas and petroleum products. It also manufactures effluent systems, and undertakes designing, engineering and installation work. The manufacturing facilities are located at Mumbai and Goa.

Key Rating Drivers**Strengths****• Established track record of operations, experienced management**

MPECPL has established operational track record since 1984. The company is led by Mr. M.P. Varghese and Ms. Mary Varghese who have over three decades of experience in the business.

• Reputed clientele

The company has been catering to a reputed client base including Mahanagar Gas Limited, Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited for over a decade.

Weaknesses**• Moderate scale of operations**

MPECPL has moderate scale of operations with operating income of Rs.34.10 crore in FY2016-17 as against Rs.29.40 crore in FY2015-16. The uneven trend is due to the tender based nature of operations. MPECPL has moderate order book position with unexecuted orders of Rs. 139.25 crore as on March 10, 2018 which provide revenue visibility for the medium term.

• Below average financial risk profile

MPECPL has below average financial risk profile marked by net worth of Rs. 9.88 crore as on 31 March, 2017 as against Rs. 8.91 crore as on 31 March, 2016. The gearing (debt to equity ratio) stood at modest levels of around 1.15 times as on 31 March, 2017 as against 1.36 times in the previous year. The interest coverage ratio (ICR) stood at 2.07 times in FY2017 as against 2.13 times in FY2016. The debt service coverage ratio (DSCR) stood low at 1.09 times in FY2017 as against 1.37 times in FY2016. The net cash accruals to total debt (NCA to TD) stood at 0.15 times in FY2017.

• Working capital intensive operations

The operations are working capital intensive marked by gross current assets (GCA) of 241 days in FY2016-

17 as against 295 days in the previous year. The GCA days are high on account of debtors of 122 days in FY2016-17 and 167 days in FY2015-16. The debtor days are high on account of the delayed payments mechanism from government organisations. The average utilisation of cash credit limit remained high at ~90 per cent in the last six months ended September 2017.

Analytical Approach

To arrive at the rating, SMERA has considered the standalone financial and business risk profiles of the company.

Outlook: Stable

SMERA believes that MPECPL will maintain a stable outlook over the medium term on account of its long track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while improving financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or the financial risk profile deteriorates on account of higher than expected working capital requirements or debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	34.10	29.40	31.89
EBITDA	Rs. Cr.	4.40	4.20	4.05
PAT	Rs. Cr.	0.97	1.90	0.46
EBITDA Margin (%)	(%)	12.89	14.29	12.69
PAT Margin (%)	(%)	2.83	6.45	1.43
ROCE (%)	(%)	18.30	22.69	15.50
Total Debt/Tangible Net Worth	Times	1.15	1.36	1.94
PBDIT/Interest	Times	2.07	2.13	2.23
Total Debt/PBDIT	Times	2.41	2.18	3.14
Gross Current Assets (Days)	Days	241	295	272

Any other information

None

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- InfrastructureEntities-<https://www.smera.in/criteria-infra.htm>
- FinancialRatiosAndAdjustments-<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): None

***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	10.00	SMERA BB/Stable

Proposed	Not Applicable	Not Applicable	Not Applicable	39.00	SMERA A4+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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