

Press Release

MMS INFRATECH PRIVATE LIMITED

June 08, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 44.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 44.00 crore bank facilities of MMS INFRATECH PRIVATE LIMITED. The outlook is '**Stable**'.

Gujarat based, MMS Infratech Private Limited, formally established as a partnership firm in 2007, which was later converted into private limited company in 2012. The company is engaged in civil construction work like road, bridges, canal system, etc mainly for Gujarat government and is registered as class 'AA' category contractor with the government of Gujarat.

Key Rating Drivers

Strengths

- **Efficient working capital cycle**

The company has efficient working capital cycle management marked by GCA days of 122 days with inventory holding of 4 days and debtors of 42 days for FY 17-18 (prov.)

- **Experienced management**

The promoters of the company, Mr. Kantibhai Meghji Hadiya, Mr. Madhavji Meghji Hadiya, Ramesh Meghji Hadiya and Mr. Ashvin Kantilal Hadiya have over a decade of experience in construction activities and cater to reputed clients like NBCC India Limited, Sardar Sarovar Narmada Nigam Limited, NHAI, among others.

- **Comfortable financial risk profile**

The financial risk profile of the company was comfortable marked by net worth of Rs. 24.88 crore as on March 31, 2018(prov.) as compared to 20.00 crore as on March 31, 2017. The gearing (debt to equity) stood comfortable at 0.38 times as on March 31, 2018(prov.) as compared to 0.53 times as on March 31, 2017. The total debt of Rs. 6.54 crore outstanding as on March 31, 2018 consist of working capital facilities and Rs. 3.04 crore of secured long term loan. The interest coverage ratio stands at 2.86 times as on March 31, 2018 (prov) as compared to 3.02 times as on march 31, 2017.

- **Healthy Order book Position**

The company has healthy order book position of Rs.100.20 crore which is expected to be executed in FY 18-19. The rise in order book is due to increase in bidding and success rate of the company.

Weaknesses

- **Decline in profitability margin**

The turnover of the company has improved from Rs. 48.31 crore in FY 17 to Rs. 98.50 crore in FY 18(prov.) backed by increase in order book. However the EBTDA margin declined from 10.16 percent in FY 17 to 7.37 percent in FY 18(prov.). Also the PAT margin has declined from 2.02 per cent in FY 2017 to 1.90 per cent in FY 18 (prov.).

- **Tender based nature of business resulting in highly competitive industry**

The company operates in highly competitive industry due to presence of many organized and unorganized players. The business of the company depends upon the number of tenders floated by

the government and bid success rate of the company.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the company to arrive at the rating.

Outlook: Stable

Acuité believes that the company will maintain a stable risk profile over the medium term on account of its experienced management and healthy order book. The outlook may be revised to positive in case of sustained and significant growth in operating income while improving its profitability margins. The outlook may be revised to negative in case of elongation in working capital cycle or decline in profitability metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	98.50	48.31	68.19
EBITDA	Rs. Cr.	7.26	4.91	5.00
PAT	Rs. Cr.	1.88	0.98	0.89
EBITDA Margin	(%)	7.37	10.16	7.34
PAT Margin	(%)	1.90	2.02	1.30
ROCE	(%)	17.28	11.39	13.08
Total Debt/Tangible Net Worth	Times	0.38	0.53	0.91
PBDIT/Interest	Times	2.86	3.02	2.62
Total Debt/PBDIT	Times	1.29	2.03	2.19
Gross Current Assets (Days)	Days	122	203	116

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

None

Any other information

Not Applicable

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A4+

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About Acuité Ratings & Research:

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