

Press Release

Mirus Infratech Private Limited

August 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) on the Rs.13.00 crore bank facilities of Mirus Infratech Private Limited (MIPL). The outlook is '**Stable**'.

MIPL is Patiala based company incorporated in 2006 and commenced its operations in August, 2015. The company is promoted by Mr. Gulzarinder Singh Chahal and his mother, Mrs. Jagdev Kaur Chahal. MIPL is engaged in the trading of construction material including Granular Sub Base (GSB) and stone dust of 20 mm stone, 10 mm stone mainly used in construction of roads. MIPL procures the materials from wholesalers based in Himachal Pradesh, Jammu and Kashmir and Punjab. The traded goods are further sold to builders, contractors and developers located in Punjab only.

Key Rating Drivers

Strengths

- **Improvement in revenue**

The company reported operating income of Rs.35.29 crore for FY2017 as against Rs.19.97 crore in the previous year. The improvement in revenue can be attributed to the favourable demand for the construction material for road construction projects during the last two years. The increase in industrial activities, alongwith increase in number of two and four wheelers have led to the growth in the road transport infrastructure projects.

- **Comfortable liquidity position**

MIPL operates at comfortable liquidity position as the average bank limit utilisation stood at around 39 percent during the last six months ended as on 31 March, 2018. The operating cycle is stretched as the Gross Current Asset (GCA) days stood at 172 for FY2017 as against 132 days in the previous year. The stretched GCA days are on account of high cash and bank balance of Rs.7.30 crore as on 31 March, 2017. Further, debtor days are stretched at 69 for FY2017 as against 101 days in the previous year. The company normally extends credit period of around 90 days to its customers. However, the company has reduced the cash and bank balance to Rs.1.03 crore as on 31 March, 2018 and GCA has improved to 76 days (Provisional) for FY2018.

Weaknesses

- **Limited track record of operation**

MIPL has limited track record of operations as the company commenced its operation in August, 2015. Further, the promoter of the company, Mr. Gulzarinder Singh Chahal has limited experience in trading of construction material. He has experience of around a decade in different businesses including poultry farm and movie production.

- **Customer and geographic concentration risk**

The company is exposed to customer concentration risk as it only deals with one customer i.e. Patel Infrastructure Limited for the road construction projects mainly executed in the state of Punjab. Further, the company is also exposed to geographic concentration risk as the projects executed by its customer are located only in Punjab.

• Average financial risk profile alongwith low profitability

The company operates at low tangible net worth base at Rs.2.84 crore as on 31 March, 2017 as against Rs.0.27 crore in the previous year. The debt to equity ratio stood at 3.73 times as on 31 March, 2017 compared to 22.93 times in the previous year. The interest coverage ratio stood at 9.09 times, while the debt service coverage ratio stood at 0.38 times for FY2017. The debt obligation was met by the promoters through capital infusion to the tune of Rs.1.99 crore during FY2016-17. The company also operates at low profitability as the operating profit stood at 2.47 percent for FY2017 as against 1.92 percent in the previous year. The low profitability is on account of trading nature of business.

• Exposed to intense competition in the construction material industry

The company operates in the highly fragmented and competitive construction material industry. The industry is characterised by the presence of large number of players leading to continuous pressure on their profitability. Further, the company is also exposed to significant customer concentration risk as the company only operates in the state of Punjab.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the MIPL for arriving at the rating.

Outlook: Stable

Acuite believes MIPL will maintain a 'Stable' business risk profile over the medium term on account of favourable demand for construction material. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and net cash accruals while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers deterioration in financial risk profile and liquidity profile due to decline in net cash accruals.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	35.29	19.97	0.00
EBITDA	Rs. Cr.	0.87	0.38	0.00
PAT	Rs. Cr.	0.58	0.27	0.00
EBITDA Margin	(%)	2.47	1.92	0.00
PAT Margin	(%)	1.65	1.34	0.00
ROCE	(%)	9.15	12.00	-35.66
Total Debt/Tangible Net Worth	Times	3.73	22.98	-5.38
PBDIT/Interest	Times	9.09	0.00	0.00
Total Debt/PBDIT	Times	10.72	15.89	-6.89
Gross Current Assets (Days)	Days	172	198	0

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

CARE, vide its press release dated April 5, 2018 had denoted the rating of Mirus Infratech Private Limited as 'CARE B+/Stable; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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