

Press Release

Mirus Infratech Private Limited

August 12, 2019

Rating Downgraded and Assigned



Total Bank Facilities Rated*	Rs. 13.00 crore
Long Term Rating	ACUITE B/ Outlook: Stable (Downgraded from ACUITE BB- and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded a long-term rating from '**ACUITE BB-**' (read as **ACUITE double B minus**) to '**ACUITE B**' (read as **ACUITE B**) on the Rs. 8.42 crore bank facilities of Mirus Infratech Private Limited (MIPL). The outlook is '**Stable**'.

Further, Acuite has assigned a long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 4.58 crore bank facilities of Mirus Infratech Private Limited.

The rating downgrade reflects the decline in revenue, deterioration of financial risk profile and stressed liquidity in the company. The operating income of the company decreased to Rs. 7.00 crore in FY2019 (Provisional) as against Rs. 30.22 crore in FY2018 and Rs. 35.29 crore in FY2017, which is marked by low number of orders in hand.

MIPL is a Patiala-based company incorporated in 2006, which 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 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the MIPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

MIPL was promoted by Mr. Gulzarinder Singh Chahal in 2006, who has an experience of around a decade in different lines of businesses including poultry farm and movie production.

Weaknesses

- **Decline in revenue and profitability margins**

The operating income of the company decreased to Rs. 7.00 crore in FY2019 (Provisional) from Rs.30.22 crore in FY2018 resulting in a decline of 76.84 per cent. The decline in profitability margins is marked by operating profit margin of 2.65 per cent in FY2019 (Provisional) as against 3.60 per cent in FY2018 and net profit margin of (2.59) per cent in FY2019 (Provisional) as against 1.20 per cent in FY2018.

- **Below average financial risk profile**

MIPL has below average financial risk profile marked by below average net worth, and debt protection metrics. The company's net worth stood at Rs. 2.99 crore as on March 31, 2019 (Provisional) as against Rs. 3.17 crore as on March 31, 2018, owing to losses in the current year. Gearing levels (debt-to-equity) stood at 2.58 times as on March 31, 2019 (Provisional) as against (0.20) times as on March 31, 2018. Further, the interest coverage ratio stood at 0.81 times for FY2019 (Provisional) as compared to 2.11 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 2.84 times as on FY2019 (Provisional) vis-à-vis 0.89 times as on FY2018. Acuité believes that financial risk profile of the company is likely to remain average over the medium term on account of average net worth and debt protection metrics.

- **Working capital intensive operations**

The company has intensive working capital operations marked by gross current assets (GCA) of 534 days in FY2019 (Provisional) as compared to 54 days in FY2018. This is on account of debtors' collection period of 2 days in FY2019 (Provisional) as against 39 days in FY2018. The average cash credit utilisation for the past six months stood at ~40 per cent. Acuité believes that the working capital operations of the company will continue to remain intensive on account of credit given to its customers.

- **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.

Liquidity position

The company has poor liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. (0.05) crore for FY2019 (Provisional), while its maturing debt obligations were Rs.0.20 crore for the same period. The cash accruals of the company are estimated to remain around Rs. 0.03 crore during 2020-22 against repayment obligations of around Rs. 0.24 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 534 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 9.03 crore as on March 31, 2019 (Provisional). The current ratio stands at 1.28 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low cash accruals to maturing debt repayments over the medium term.

Outlook: Stable

Acuité believes that MIPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	7.00	30.22	35.29
EBITDA	Rs. Cr.	0.19	1.09	0.87
PAT	Rs. Cr.	(0.18)	0.36	0.58
EBITDA Margin	(%)	2.65	3.60	2.47
PAT Margin	(%)	(2.59)	1.20	1.65
ROCE	(%)	0.88	12.63	9.15
Total Debt/Tangible Net Worth	Times	2.58	(0.20)	3.73
PBDIT/Interest	Times	0.81	2.11	9.09
Total Debt/PBDIT	Times	41.51	(0.55)	10.72
Gross Current Assets (Days)	Days	534	54	172

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
August 10, 2018	Dropline Overdraft	Long-Term	5.00	ACUITE BB-/Stable (Assigned)
	Overdraft	Long-Term	7.50	ACUITE BB-/Stable (Assigned)
	Term Loan	Long-Term	0.50	ACUITE BB-/Stable (Assigned)

***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	4.17	ACUITE B/ Stable (Downgraded from ACUITE BB-)
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE B/ Stable (Downgraded from ACUITE BB-)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B/ Stable (Downgraded from ACUITE BB-)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.58	ACUITE B/ Stable (Assigned)

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About Acuité Ratings & Research:

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