

Press Release

Maneesh Pipes Private Limited

March 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.75 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 double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 18.75 crore bank facilities of Maneesh Pipes Private Limited (MPPL). The outlook is '**Stable**'.

Established in 1972 as a partnership concern and later reconstituted in 1991 as a private limited company, MPPL is a Chhattisgarh based company engaged in execution of turnkey projects of water supply contracts. In addition, the company is involved in manufacturing of Reinforced Cement Concrete (RCC) pipes with an installed capacity 11000 meters per annum. The company is promoted by the Chhattisgarh based Jhawar family led by Mr. Jagadish Prasad Jhawar.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of MPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record**

Established in 1972, the company has a long track record of over five decades in executing turnkey water supply projects. The long track record has lead to MPPL successfully executing the projects in timely manner and getting repeated orders from different government departments such as Public Health Engineering Department (PHED) and Madhya Pradesh Jal Nigam Maryadit, among others.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate net worth and gearing and comfortable debt protection measures. The net worth of the company stood at Rs.17.19 crore as on 31 March, 2018 as against Rs.14.51 crore in the previous year. The gearing stood at 1.37 times as on 31 March, 2018 as against 1.43 times in the previous year. The total debt of Rs.23.64 crore consists of long term debt of Rs.0.65 crore, unsecured loans from promoters of Rs.13.02 crore, short term borrowings of Rs.9.97 crore. The interest coverage ratio stood at 2.94 times in FY2018 as against 2.63 times in the previous year. The debt service coverage ratio stood at 1.91 times in FY2018 as against 1.81 times in the previous year. The NCA/TD ratio stood at 0.15 times in FY2018 as against 0.11 times in the previous year.

Weaknesses

- **Fluctuating revenue trend due to tender based nature of operations**

The company had fluctuating revenue trend over the years. For FY2018, the company has achieved revenue of Rs.32.19 crore as against Rs.49.25 crore in the previous year. The reason for the same was the uncertainty of impact of Goods and Service tax due to which PHE Department did not float any major tender during FY 2017-18. During the current year, the situation has improved and MPPL has achieved turnover of Rs.38.90 crore till 31 December, 2018 (Provisional). Going forward, Acuité expects further improvement in the topline with orders in hand of ~ Rs.75.00 crore which is likely to be executed by FY 2018-19.

• **Working capital intensive operations**

The company has working capital intensive nature of operations marked by gross current assets (GCA) of 310 days in as on 31 March, 2018 as against 191 days in the previous year. The reason for the same is due to increase in debtor days to 190 days in FY2018 as against 84 days in the previous year. Further, the inventory days have also increased to 106 days in FY2018 as against 65 days in the previous year. However, during the current financial, there has been an improvement in the debtor days where the company has received Rs.10.45 crore from the Public Health Department, thereby reducing the debtor outstanding.

Liquidity Position:

MPPL has moderate liquidity profile marked by net cash accruals in the range of Rs.2.22 crore to Rs.3.58 (FY 2016-2018) crore against its Rs 0.50 crore debt obligations. The fund based working capital limit remains utilised at moderate level of 75 percent during the 12 months period ended December 2018.

Outlook: Stable

Acuité believes that MPPL will maintain 'Stable' outlook over the medium term from experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.18	49.25	80.42
EBITDA	Rs. Cr.	7.12	6.68	5.81
PAT	Rs. Cr.	2.78	1.29	2.01
EBITDA Margin	(%)	22.13	13.57	7.22
PAT Margin	(%)	8.64	2.62	2.50
ROCE	(%)	18.36	19.02	18.57
Total Debt/Tangible Net Worth	Times	1.37	1.43	1.32
PBDIT/Interest	Times	2.94	2.63	2.84
Total Debt/PBDIT	Times	3.04	2.88	2.84
Gross Current Assets (Days)	Days	329	206	105

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

On 21st March'2018 CARE has migrated the rating of MPPL as CARE BB-/ Stable; Issuer Not Cooperating.

Any other information

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.80	ACUITE BB- / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.08	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+

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About Acuité Ratings & Research:

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