

Press Release
Mark Infrastructure Private Limited

April 30, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.15.00 crore bank facilities of Mark Infrastructure Private Limited. The outlook is '**Stable**'.

Mark Infrastructure Private Limited (MIPL) was initially registered as a partnership Firm in 1998 as an Engineering & Construction company in Vishakhapatnam. It was then named as M/s. Global Construction Company which was into various construction projects for a decade. In August 2008, when the partnership evolve further, M/s Global Construction Company was incorporated as a limited company in Hyderabad as M/s. Mark Infrastructure Private Limited. The company is engaged in civil construction works related to construction of buildings.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

MIPL is managed by key promoter Mr. Ravi Kiran Vemuri who manages the day to day operations of the company. He has an experience of more than 25 years in the same line of business. The company is engaged in civil construction in segments such as commercial structures, industrial buildings and educational institutions. The promoter's extensive experience is also reflected through healthy revenue growth over the last three years through 2017-19. The company's revenue grew at a CAGR of 24.53 percent to Rs.48.33 crore over the aforementioned period. The extensive experience of promoters has helped company in successfully bidding of orders and maintaining longstanding relationships with its suppliers. MIPL's unexecuted order book position remains moderate at Rs.188.28 crore as on Feb, 2019 which provides revenue visibility over medium term.

Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

Weaknesses

• Moderate financial risk profile

MIPL's financial risk profile is marked by its moderate net worth, moderate gearing levels and moderate debt protection measures. The net worth increased to Rs.6.88 crore as on 31 March 2019 as against Rs.5.19 crore in the previous year on account of retaining profits in the business. The company is also planning to increase equity share capital by converting unsecured loans from director to equity in FY2021. The company's gearing ratio stood at 1.41 times as on 31 March, 2019 as against 1.34 times in the previous year. The total debt of Rs.9.70 crore as on 31 March 2019 consists of long term debt of Rs.0.64 crore, loan from promoters of Rs. 2.25 crore and Rs.6.56 crore of short term debt obligations. The moderate revenue growth coupled with moderate profitability levels has resulted in net cash accruals of Rs. 2.14 crore during FY2019. The interest coverage ratio stood at 2.98 times in FY2019 as against 2.42 times in the previous year. NCA/TD ratio stood 0.22 times in FY2019.

Acuité believes that the financial risk profile will continue to remain moderate on account of moderate growth in revenues and profitability.

• Working Capital Intensive Operations

The operations of MIPL are working capital intensive reflected by high Gross Current Assets (GCA) which stood at 292 days for FY2019, driven by debtors of 145 days and inventory of 92 days, for FY2019. Working capital requirement is funded through bank lines that have been 100 percent utilised over the last six months and Creditors were at 297 days as on March 31, 2019.

Acuité believes that the operations of MIPL are likely to remain working capital intensive over the medium term.

• Highly competitive industry and profitability susceptible to fluctuations in input cost

The civil construction and infrastructure industry is marked by presence of large number of organized and unorganized players in the industry. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclical in the sector. The presence of large number of player's increases competition and has direct impact on pricing, restricts bargaining power having adverse impact on margins. Further, the input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature as the company partially sub- contracts its work. Hence, any adverse movement in input costs can impact the profitability going ahead.

Liquidity position: Stretched

The company has stretched liquidity on account of intensive working capital operations marked by high gross current asset (GCA) days of 292 days in FY2019. Working capital requirement is funded through bank lines that have been 100 percent utilised over the last six months. The current ratio stood at 1.42 times as on 31 March, 2019 compared to 1.37 times as on 31 March, 2018. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of full utilization of bank loans along with moderate scale of operations.

Rating Sensitivities

- Improvement in profitability and scale of operations backed by healthy demand in infrastructure industry
- Any deterioration in the working capital management will have a negative bias on the rating

Outlook: Stable

Acuité believes that the outlook on MIPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	48.33	32.44
PAT	Rs. Cr.	1.69	0.48
PAT Margin	(%)	3.50	1.47
Total Debt/Tangible Net Worth	Times	5.58	5.78
PBDIT/Interest	Times	2.98	2.42

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

Not Applicable

Any other information

None

Applicable Criteria

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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