

## Press Release

Mother India Construction Private Limited

May 05, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.26.80 Cr.
<b>Long Term Rating</b>	ACUITE BB/ Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE double A four plus**) on the Rs.26.80 crore bank facilities of Mother India Construction Private Limited (MICPL). The outlook is '**Stable**'.

Patna-based, MICPL was incorporated in 1990 as by Mr. Chandra Sen Singh and Mr. Ramjee Singh and the company is engaged in the civil construction work in the region of Bihar and Jharkhand, undertaking construction, maintenance and renovation work for roads, irrigation canals and drainage systems etc. Further, the company has around 58 employees.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management**

MICPL is promoted by Mr. Chandra Sen Singh and his brother-in-law Mr. Ram Ji Singh who manage the day to day operations of the company. Both of the promoters are industry veterans having rich experience of more than a 3 decades in the construction business. MICPL is engaged in executing different types of projects like construction, renovation and maintenance of roads, canals and drainage systems under government entities. The promoter's extensive experience is also reflected through the healthy order book position, order book remains at Rs.531.46 crore as on 31 Dec, 2019. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. Acuite believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Moderate financial risk profile**

MICPL's financial risk profile is marked by its moderate net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.39.74 crore as on 31 March, 2019 as against Rs.34.95 crore in the previous year on account of stable profitability leading to higher accretion to reserves. The company's gearing is estimated to be low at 0.22 times as on 31 March, 2019 as against 0.40 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.40 times as on March 31, 2018. The total debt of Rs.8.55 crore consists of long term debt of Rs.2.30 crore, unsecured loans from promoters of Rs. 0.21 crore and Rs.6.04 crore of short term debt obligations. The moderate profitability levels has resulted in healthy net cash accruals of Rs.6.08 crore during 2019, while the debt levels have remained low during the same period, leading to moderate debt protection measures. The interest coverage ratio stood at 4.76 times in FY19 as against 3.36 times in the previous year. NCA/TD ratio stood 0.71 times in FY19. Acuite believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals.

#### Weaknesses

- **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with labor cost constituting majorly in the total revenue. Further the company also sub-contracts some part of its work. Hence, any adverse movement in input costs can impact profitability.

**Tender based nature of business**

Major business has bagged through open tenders. Hence, the revenues of the company are directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. The company has to do tendering on competitive prices; this may affect the profitability of the company. This has resulted in fluctuating operating profit margins.

**Key Rating Sensitivity Factors**

- Significant improvement in revenues while improvement in working capital.
- Significant elongation in working capital

**Material Covenants**

None

**Liquidity Position: Adequate**

MICPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.29-6.08 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.98 crore over the same period. The cash accruals of the company are estimated to remain around Rs.10.02-11.93 crore during 2020-22, while its repayment obligations are estimated to be around Rs.0.98 during the same period. The company’s operations are managed efficiently as marked by Gross Current Assets (GCA) of 62 days as on 31 March, 2019. The working capital borrowing utilizations are moderate during the FY2019. The current ratio of the company stood average at 1.13 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of adequate cash accrual as against debt repayments over the medium term.

**Outlook: Stable**

Acuite believes that the outlook on MICPL's facilities will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if the Company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	94.57	51.07
PAT	Rs. Cr.	13.16	3.46
PAT Margin	(%)	13.92	6.78
Total Debt/Tangible Net Worth	Times	0.85	0.21
PBDIT/Interest	Times	7.81	3.37

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Up to 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	1.80	ACUITE BB/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Assigned)

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**About Acuité Ratings & Research:**

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