

Press Release

Mother India Construction Private Limited

September 02, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 26.80 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The rating continues to reflect the extensive experience of the management in the construction business. The rating also reflects efficient working capital management and steady profitability margin of the company. However, these strengths are partially offset by moderate scale of operation and tender based nature of operation.

About the company

Established in 1990, Mother India Construction Private Limited is a Patna-based company promoted by Mr. Chandra Sen Singh and Mr. Ramjee Singh. The company is engaged in civil construction work in the region of Bihar & Jharkhand for construction, maintenance and renovation work for roads, irrigation canals and drainage systems among others.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of MICPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

The company has an operational track record of more than 30 years in the infrastructure industry and the promoters of the company Mr. Chandra Sen Singh and Mr. Ramjee Singh have more than three decades of experience in similar industry. The company has a long presence in this sector and has established a healthy relationship with customers for more than a decade. The timely execution of the projects has helped the company to improve its market presence in Bihar and Jharkhand. Acuité believes that the company will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.54.46 crore in FY 2021(Prov.) as compared to Rs 48.88 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.22 times as on March 31, 2021 (Prov.) when compared to 0.12 times as on March 31, 2020. Interest coverage ratio (ICR) is strong and stood at 7.88 times in FY2021 (Prov.) as against 10.61 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood comfortable at 2.78 times in FY2021 (Prov.) as compared to 5.74 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.64 times in FY2021 (Prov.) as compared to 2.16 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the medium term.

Efficient working capital management

The efficient working capital management of the company is marked by comfortable gross current asset

(GCA) days of 10 days in FY2021 (Prov.) as compared to 28 days in the previous year. The debtor days of the company stood comfortable at 02 days in FY2021 (Prov.) and 01 day in the previous year. Further, this improvement in gross current asset days is mainly due to overall improvement in other current assets during the period.

Weaknesses

Moderate scale of operation

The revenue of the company stood moderate at Rs.110.51 crore in FY2021 (Prov.) as compared to Rs.168.30 crore in the previous year. This deterioration in the revenue of the company during FY21 (Prov.) is mainly due to the nation-wide lock down during the 1st quarter of FY2021. However, the company has a healthy unexecuted order book of Rs.328.82 as on April 2021, which imparting revenue visibility over the medium term.

Tender based nature of business

Major business is 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.

Rating Sensitivity

- Scaling up of operation while maintaining their profitability margin
- Working capital management
- Timely execution of orders

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.7.53 crore as against Rs.1.80 crore long term debt obligation during FY2021 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 8.07 crore to Rs. 10.30 crore during 2022-24 as against Rs.1.80 crore in FY2023 of long term debt obligations. The current ratio of the company stood moderate at 1.18 times in FY2021 (Prov.). The working capital management of the company is marked by comfortable Gross Current Asset (GCA) days of 10 days in FY2021 (Prov.). The bank limit of the company has been ~81 per cent utilized during the last six months ended in June 2021. Acuité believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité 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 (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	110.51	168.30
PAT	Rs. Cr.	5.58	11.63
PAT Margin	(%)	5.05	6.91
Total Debt/Tangible Net Worth	Times	0.22	0.12
PBDIT/Interest	Times	7.88	10.61

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
05-May-2020	Overdraft	Long Term	1.80	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Canara Bank	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BB/Stable (Reaffirmed)
Canara Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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