

Press Release

Madhusudan Agrawal Project Private Limited

June 06, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	33.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.45.00 Cr bank facilities of Madhusudan Agrawal Project Private Limited (MAPPL). The outlook is 'Stable'.

The rating of MAPPL takes into account the improving business risk profile of the company supported by the healthy order book position. The rating also factors the experienced management, long track record of operations, efficient working capital management of the company and the above average financial risk profile marked by the healthy debt protection metrics. These strengths are, however, offset by the competitive industry.

About the Company

Established in 1989, Madhusudan Agrawal Project Private Limited (MAPPL), erstwhile a proprietorship firm was reconstituted as a private limited company in 2021. The company is based in Chattisgarh and is headed by Mr. Madhusudan Agrawal, Mr. Devesh Agrawal and Mr. Dakshesh Agrawal. MAPPL is engaged in civil construction projects for roads, railway stations, buildings and related ancillary works. The company undertakes contracts with Indian Railways (primarily the South East Central Railway division), MRIDC and HPCL.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Madhusudan Agrawal Project Private Limited (MAPPL).

Key Rating Drivers

Strengths

- Long standing operations and experienced management

The company has an established track of operations spanning over two decades. Moreover,

the promoter of the company, Mr. Madhusudan Agrawal have an extensive experience of more than two decades in the civil construction industry contributing to the company's growth by enabling MAPPL in obtaining contracts with SEC Railways along with the contribution of the other promoters Mr. Devesh Agrawal and Mr. Dakshesh Agrawal. Acuité believes that the long track record of operations and the promoters strong understanding of the market dynamics coupled with healthy relations with the customers and suppliers will continue to benefit the company.

- **Improving business risk profile marked by healthy order book position**

MAPPL has an unexecuted order book of Rs.544 Cr as on March 31st, 2022. Out of this, orders of Rs.280.08 Cr are to be executed in the next 12 to 24 months and the orders of Rs.263.92 are to be executed in the next 24 to 36 months. Also, the company has extended their clientele base in FY22 to include orders from Maharashtra Rail Infrastructure Development Corporation, thereby further strengthening their order book. Along with this, it registers its presence in Chhattisgarh, Madhya Pradesh and Maharashtra. Moreover, the company has achieved significant growth in their revenue generation over the years. For FY22, it has achieved revenues of Rs.101.05 Cr (provisional) as compared to revenues of Rs.78.69 Cr in FY21 and Rs.38.28 Cr in FY20, thereby registering a CAGR of 63.03%. The increase in the top line is due to the healthy order execution by the company. Acuite believes that going forward, the growth in the scale of operations will be aided by the revenue visibility from the order book position and the repetitive orders from the reputed clientele base.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by modest net worth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.13.31 Cr (provisional) as on March 31, 2022 from Rs.8.06 Cr as on March 31, 2021 due to accretion to reserves. Acuite has considered unsecured loans of Rs.1.00 Cr as on March 31, 2022, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood moderate at 1.38 times (provisional) as on March 31, 2022 as against 1.27 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 1.97 times (provisional) as on March 31, 2022 as against 2.87 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 5.42 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 3.00 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood high at 0.28 times (provisional) as on March 31, 2022. Acuite believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

Weaknesses

- **Fluctuating profitability margins**

The company has faced operational constraint due to the Covid-19 pandemic which affected the profitability margins. For FY22, the operating margin of the company increased to 7.85 per cent (provisional) as compared to 5.73 per cent in FY21. However, the PAT margin slightly declined to 3.93 per cent (provisional) in FY22 from 4.28 per cent in FY21. Acuite believes that going forward, the profitability margins will be a key area monitorable.

- **Competitive industry**

The civil construction sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of the experience of the management and well established presence in its terrain.

Rating Sensitivities

- Increase in the growth in scale of operations while improving profitability margins
- Reduction in order flow
- Sustenance of the capital structure

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.5.21 Cr (provisional) as on March 31, 2022 against no such long term debt repayment for the same period. The company has not availed any loan moratorium. The fund based limit of the company is moderately utilized at 69 per cent (provisional) over the seven months ended March, 2022. The cash and bank balances of the company stood at Rs.0.39 Cr (provisional) as on March 31, 2022. The current ratio stood comfortable at 1.51 times (provisional) as on March 31, 2022 as compared to 1.29 times as on March 31, 2021. Moreover, the working capital management of the company is efficient marked by Gross Current Assets (GCA) of 90 days (provisional) in 31st March 2022 as compared to 110 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on Madhusudan Agrawal Project Private Limited (MAPPL) will remain 'Stable' over the medium term on account of the experienced management, healthy order book position and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	101.05	78.69
PAT	Rs. Cr.	3.98	3.37
PAT Margin	(%)	3.93	4.28
Total Debt/Tangible Net Worth	Times	1.38	1.27
PBDIT/Interest	Times	5.42	6.18

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

CARE, vide its press release dated October 05, 2021 had denoted the rating of Madhusudan Agrawal Project Private Limited (MAPPL) as 'CARE B/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 Assigned
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3 Assigned
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuите.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuите.in
Geeta Karira Management Trainee-Rating Operations Tel: 022-49294065 geeta.karira@acuите.in	

About Acuité Ratings & Research

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