

Press Release

New Modern Technomech Private Limited

September 27, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.20	ACUITE BB Stable Assigned	-
Bank Loan Ratings	52.80	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned 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**) on the Rs.90.00 Cr bank facilities of New Modern Technomech Private Limited (NMTPL). The outlook is '**Stable**'.

NMTPL's rating takes into account the steady business risk profile of the company marked by stable revenues, moderate segmental and geographical diversity. The rating also factors the experienced management and the long track record of operations. These strengths are, however, offset by the modest financial risk profile, working capital intensity of the company and the competitive nature of the industry.

About the Company

Incorporated in 1998, New Modern Technomech Private Limited (NMTPL) is promoted by the Sarangi family of Odisha. NMTPL is engaged in manufacturing of transmission line towers, substation(s), OHE's specialised fabricated & galvanised structures, pre-engineered & heavy engineering fabricated structures and is also involved in EPC. Moreover, NMTPL has extended the scope of operations to include manufacturing of solar tracker and exports the same to U.S.A., Malaysia and China. Currently, the company has a production capacity of 40,000 MTPA for galvanised steel structures in Odisha. Additionally, it has an in-house heavy fabrication unit for manufacturing of PEB (Pre-engineered buildings and heavy engineering structures) with a production capacity of approximately 1000 MT per month.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of New Modern Technomech Private Limited (NMTPL) to arrive at this rating.

Key Rating Drivers

Strengths

- Long standing operations and experienced management

NMTPL has a long track record of operations of over two decades in the manufacturing of galvanised steel structures and construction works. The company is promoted by Mr. Shasanka Sekhar Sarangi, Mr. Seba Sarangi and Mr. Sumit Kumar Sarangi having an experience of over two decades in the industry, thereby enriching the growth of the company by establishing healthy relations with the reputed clientele and maintaining regular flow of orders. Acuité believes that the experienced management and the company's long standing in the industry will continue to benefit the company going forward.

- **Steady business risk profile coupled with segmental bifurcation and diversified geographic exposure**

NMTPL has achieved revenues of Rs.172.27 Cr in FY2022 (provisional) as compared to Rs.118.30 Cr in FY2021. Further, the company has achieved revenues of Rs.27.14 Cr till June 2022 (provisional). The increase in revenues in FY2022 are due to the inclusion of the export sales over the same period. The company has entered into exporting solar trackers to countries like, U.S.A., China and Malaysia and is expected to increase the percentage of exports going forward. The orders for infrastructure projects are primarily from reputed Government organisations, Rail Vikas Nigam Limited, Indian Railway Construction (IRCON) International Limited, Rail India Technical and Economic Service (RITES) Limited, to name a few. Moreover, the company has an unexecuted healthy order book position to the tune of Rs.163.89 Cr as on 31st August, 2022 to be executed in FY2023.

Further, the company has attained segmental diversification by manufacturing galvanised steel structures, galvanised towers and solar trackers along with the execution of construction contracts. NMTPL has achieved geographic exposure across U.S.A, China and Malaysia with the export of solar trackers. Acuité believes that the healthy order book position of the company imparts comfortable revenue visibility over the medium term.

Weaknesses

- **Moderate financial risk profile**

The company's financial risk profile is marked by modest albeit improving networth, low gearing and modest debt protection metrics. The tangible net worth of the company increased to Rs.67.57 Cr as on March 31, 2022 (provisional) as compared to Rs.64.52 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the company stood below unity at 0.70 times as on March 31, 2022 (provisional) against 0.63 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.21 times as on March 31, 2022 (provisional) as against 1.15 times as on March 31, 2021. The moderate debt protection metrics is marked by Interest Coverage Ratio at 1.97 times as on March 31, 2022 (provisional), and Debt Service Coverage Ratio of 1.09 times as on March 31, 2022 (provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on March 31, 2022 (provisional). Acuité believes that going forward the financial risk profile will improve over the medium term on account of gradually improving accruals with no major debt funded capex plans.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Asset (GCA) days of 230 days as on March 31, 2022 (provisional) as against 320 days in the previous year. The high GCA days are on account of high level of debtor period and retention money. The debtor days stood at 102 days in FY2022 (provisional) due to unbilled revenue on construction contracts. The clients of EPC segment are the primary debtors of the company, Rail Vikas Nigam Limited, Indian Railway Construction (IRCON) International Limited, Rail India Technical and Economic Service (RITES) Limited, to name a few. The retention money stood at Rs.8.80 Cr in FY2022 (provisional). Further, the inventory holding stood moderate at 82 days as on 31st March 2022 (provisional) as compared to 94 days as on 31st March 2021 as the company has to maintain considerable amount of inventory both in terms of raw materials and finished goods. Acuité believes that the working capital management of the company will remain almost at similar levels as evident from the high level of unbilled revenue and retention money over the medium term.

• Competitive industry

NMTPL executes EPC contracts that keeps the company exposed to the competition in the civil construction sector which is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sector. 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

- Sustenance of revenue growth
- Elongation in the working capital cycle
- Reduction in the order flow

Material covenants

None

Liquidity Position: Stretched

The company's liquidity is stretched on account of working capital intensive nature of operations and high utilisation of its fund based bank limits. The company's working capital intensity is reflected from its high gross current asset (GCA) days of 230 days in FY2022 (provisional) on account of high debtor days which is predominantly due to unbilled revenue on construction contracts. Further, this has led to high utilisation of 98 per cent of fund based working capital bank limits in the last six months ended June, 2022. The company's net cash accruals stood at Rs.4.37 Cr in March 31, 2022 (provisional) as against long term debt repayment of Rs.3.57 Cr over the same period. However, the current ratio stood comfortable at 1.63 times as on March 31, 2022 (provisional) as compared to 1.61 times as on March 31, 2021. The company maintains unencumbered cash and bank balances of Rs.0.17 Cr as on March 31, 2022 (provisional). Going forward, Acuité believes that the company's ability to improve its liquidity by a reduction in its relatively high unbilled revenues and generate sufficient cash accruals will remain key rating sensitivities.

Outlook: Stable

Acuité believes that the outlook on NMTPL will remain 'Stable' over the medium term on account of the experienced management and the steady business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	172.27	118.30
PAT	Rs. Cr.	3.06	2.29
PAT Margin	(%)	1.78	1.93
Total Debt/Tangible Net Worth	Times	0.70	0.63
PBDIT/Interest	Times	1.97	1.70

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

BRICKWORK, vide its press release dated May 05, 2020 had denoted the rating of New Modern Technomech Private Limited as 'BWR BB/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	9.20	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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