Press Release

Modern Prefab System Private Limited

March 03, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BB | Stable | Assigned	-
Bank Loan Ratings	24.00	-	ACUITE A4+ | Assigned
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuité has assigned its long term rating of **'ACUITE BB' (read as ACUITE double B)** and short term rating of '**ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 40.00 Cr. bank facilities of Modern Prefab System Private Limited (MPSPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the established track record of operations of the company for more than two decades in the pre-fabricated structures industry. The rating also draws comfort from promoter's high experience of more than two decades and helped the company to established long term relationships with its customers in defence and Government institutions and with private players. Furthermore, the company has frequently received orders from the Indian Army, Central Reserve Police Force (CRPF), Delhi Metro Rail Corporation (DMRC), National Building Construction Corporation, Municipal Corporation of Delhi among others.

The rating also takes into account the modest scale of operations with moderate improvement in revenues to Rs 58.95 Cr. in FY22 against Rs.52.89 Cr. in FY21. The company further reported revenues of Rs. 58.16 Cr. during 10MFY23. However, the rating is constrained by moderate financial risk profile with high leveraged ratio, working capital intensive nature of operations and stretched liquidity position of the company.

About the Company

Delhi based Modern Prefab Systems Private Limited (MPSPL) is a private limited company incorporated in March 06,1997. The company is presently managed by Mr. Subhash Kapoor, Mr. Aditya Kapoor and Ms. Kanika Kapoor. MPSPL is engaged in manufacturing of prefabricated structures, puff/insulated panels and LGSF (Light gauge steel frame) buildings and related contract services. The final product is prefabricated modular relocatable shelters and structure, pre-engineered building roofing, Puff/insulated panels and LGFS building panels, then erection done and reassembled at the location. In the Pre-fabrication business segment, MPSPL primarily caters to steel fabricated building solutions and about 70-80% of company's business derived from steel related products and solutions.

Analytical Approach

Acuité has considered standalone business and financial risk profile of Modern Prefab Systems Private limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and extensive experience of promoters

MPSPL was incorporated in 1997 reflecting an established track record of operations for more than two decades in the pre-fabricated structures industry. The company is engaged into manufacturing of prefabricated structures puff/insulated panels and LGSF (Light gauge steel frame) buildings and related contract services. The promoters of the company Mr. Aditya Kapoor possesses more than two decades of experience in the respective field of business. The experience of promoters helped the company to established healthy and long term relationships with its customers majorly from the defence and government institutions which includes Indian Army, Central Reserve Police Force (CRPF), Delhi Metro Rail Corporation (DMRC), National Building Construction Corporation, Shapoorji Palloniji Company Private Limited, Municipal Corporation of Delhi among others.

Acuité believes that MPSPL will continue to benefit from extensive experience of the promoters along with longstanding relationship over the medium term.

Augmentation in business risk profile

The scale of operations of the company remained modest however witnessed improvement led by growth in revenues. The revenue from operation of the company witnessed moderate growth of ~11% YoY to Rs. 58.95 Cr. in FY22 as against Rs. 52.89 Cr. in FY21. The improvement was majorly on account of healthy execution of orders majorly from the defence industry for prefabricated building structures. Furthermore, the company generated revenues of Rs.58.16 Cr. in 10MFY23 (April 2022- January 2023) reflecting a YoY growth ~16% compared against same period last year. Furthermore, the company currently has an unexecuted order book position of Rs.35.77 Cr. and Rs.6.50 Cr. are under bidding process. Also, every year under the fiscal budget the Government of India allocates budget for upcoming orders for army/defence and thus the new orders for majority of the work gets added in the orderbook mid-April onwards.

However, the profitability of the company remains volatile due to volatility in raw material prices. The operating profit margin of the company deteriorated yet remain modest at 11.61% in FY22 compared against 13.20% in FY21. Also, the PAT margins of the company remained at 1.50% in FY22 as compared to 2.76% in FY21.

Acuité believes that the ability of the company to improve its scale of operations will going to remain a key monitorable over the medium term.

Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by low net worth, high gearing, and moderate debt protection metrics. The tangible net worth of the company stood low at Rs.20.60 Cr. in FY22 as compared to Rs. 19.72 Cr. in FY21. The total debt of the company stood at Rs. 51.57 Cr. as on 31st March 2022 as against Rs. 54.99 Cr. as on 31 March 2021. The total debt outstanding of the company comprises of long-term debt of Rs.16.59 Cr., Rs. 16.79 Cr. of short-term debt and Rs. 17.07 Cr. of Unsecured loans from promoters. The gearing level of the company remained high at 2.50 times as on 31 March 2022 compared against 2.71 times same period last year. Also, the debt to EBITDA of the company remains very high at 7.36 times for FY22 compared against 7.91 times for FY21 on account of high debt levels of the company. The debt protection metrics remains moderate with debt service coverage ratio of 1.12 times in FY22 and interest coverage ratio stood at 1.50 times in FY22.

Acuité believes that the financial risk profile of the company will continue to remain moderate on modest profitability and low net worth of the company over the medium term.

Working capital intensive nature of operations with elongated receivable days

The operations of the company are working capital intensive in nature marked by high GCA days of 358 days for FY22 as compared against 450 days for FY21. The high GCA days is majorly on account of high receivable days of 130 days for FY22 as against 236 days in FY21. The company has receivables of Rs.20.09 crores are more than 180 days which are on account of project dispute with one of its client. The inventory levels of the company stood at 199 days during the same period compared against 224 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilisation by the company is also highly utilised for fund-based limits at 88.11% for last one year ended Dec' 22.
Acuité believes that the operations of the company will continue to remain intensive on account of high receivable days over the medium term.

Rating Sensitivities

- Further elongation in working capital cycle
- Improvement in operations and profitability

Material covenants

None

Liquidity Position
Stretched

The liquidity position of the company remained stretched on account of working capital intensive nature of operations. The operations of the company remained working capital intensive marked by high GCA days of 358 days for FY22 compared against 450 days for FY21. The working capital-intensive nature of operations also led to high reliance on working capital funding from lenders. The average bank limit utilization by the company remained high at ~88 percent in last one year ended Dec' 22. However, the company has generated adequate net cash accruals of Rs.1.38 crores against repayment debt obligations of Rs.0.76 crores in FY22. The company is expected to generated net cash accruals of Rs.3.24 crore to Rs. 3.98 crores in FY23-34 period as against maturing repayment obligations of Rs.1.13 - 1.31 crores during the same period. Also, the company maintains a cash balance of Rs. 0.10 crores as on 31st March 2022.
Acuité believes that the liquidity position of the company will continue to remain stretched on account of working capital intensive nature of operations and high reliance on working capital limits for its operations.

Outlook: Stable

Acuité believes that outlook on the company will continue to remain 'stable' over the medium term on account of established track record of operations in pre-fabrication structure industry with experienced management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in the company's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further weakening of its capital structure and debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.95	52.89
PAT	Rs. Cr.	0.88	1.46
PAT Margin	(%)	1.50	2.76
Total Debt/Tangible Net Worth	Times	2.50	2.79
PBDIT/Interest	Times	1.50	1.11

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
• Entities In Manufacturing Sector:- 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on **www.acuite.in**

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A4+ | Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	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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