



Press Release
Modern Prefab System Private Limited
May 17, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	20.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has reaffirmed 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

The rating reaffirmation takes into account the established track record of operations of the company for more than two decades in the prefabricated structures industry. The rating also draws comfort from the company's established long-term relationships with its customers in defence and Government institutions and the private players. Furthermore, the company has frequently received orders from the Indian Army, Central Reserve Police Force (CRPF), ISB Infrastructure Pvt Ltd, Sarthak Contracts Pvt Ltd. The rating also takes into account the augmentation in the revenues though it remains modest at Rs 67.68 Cr in FY23 against Rs.58.95 Cr. in FY22. The company further reported revenues of Rs. 53.19 Cr. during 10MFY24. However, the rating is constrained by moderate financial risk profile with leveraged capital structure and working capital intensive nature of operations.

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 LGSF 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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Strengths

Established track record of operations and extensive experience of promoters:

MPSPL was incorporated in 1997 and has an established track record of operations for more than two decades in the prefabricated 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 possess 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 defence and government institutions which includes Indian Army, Central Reserve Police Force (CRPF) 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 witnessed improvement though remained modest at Rs. 67.68 Cr. in FY23 as against Rs. 58.95 Cr. in FY22 marking a growth of 15%. 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. 53.19 Cr. in 10MFY24. Besides, the company currently has an unexecuted confirmed order book of Rs.81.15 Cr. The profitability of the company remains volatile due to volatility depending on the nature of the contracts and the raw material prices fluctuation. The operating profit margin of the company stood modest at 10.26% in FY23 as against 11.70% in FY22. Also, the PAT margins of the company remained at 2.32% in FY23 as compared to 1.50% in FY22. 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. 22.18 Cr. as on March 31, 2023 as compared to Rs. 20.60 Cr. as on March 31, 2022. The total debt of the company stood at Rs. 51.48 Cr. as on 31st March 2023 as against Rs. 51.57 Cr. as on 31 March 2022. The total debt outstanding of the company comprises of long-term debt of Rs.16.7 Cr., Rs. 17.20 Cr. of short-term debt and Rs. 17.57 Cr. of unsecured loans from promoters. The gearing level of the company continued to remain high at 2.32 times as on March 31, 2023, compared against 2.50 times same period last year. Also, the debt to EBITDA of the company remains very high at 7.32 times for FY23 compared against 7.36 times for FY22 on account of high debt levels of the company. The debt protection metrics remains moderate with debt service coverage ratio of 1.17 times in FY23 and interest coverage ratio stood at 1.60 times in FY23. 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 348 days for FY23 (358 days for FY22). The high GCA days is majorly on account of high receivable days of 132 days for FY23 as against 130 days in FY22. The company's receivables of Rs.14.50 crores are more than 180 days which are on account of project dispute with one of its clients. The inventory levels of the company stood at 180 days during the same period compared against 199 days for FY22. 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 84.16% for last 12 months ended January 24. Acuité believes that the operations of the company will continue to remain intensive on account of high inventory and receivable days over the near term.

Rating Sensitivities

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

Liquidity Position

Adequate

The liquidity position of the company is adequate as reflected by net cash accruals of Rs.2.04 crore in FY2023 as against Rs. 1.13 Cr. repayment obligations. Besides, the average bank limit utilization by the company remained high at ~84 percent in last one year ended Jan-24. The operations of the company remained working capital intensive marked by high GCA days of 348 days for FY23 compared against 358 days for FY22. Acuité believes that the liquidity position of the company will be adequate on account of expected adequate net cash accruals against the maturing debt obligations.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	67.68	58.95
PAT	Rs. Cr.	1.57	0.88
PAT Margin	(%)	2.32	1.50
Total Debt/Tangible Net Worth	Times	2.32	2.50
PBDIT/Interest	Times	1.60	1.50

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	24.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	16.00	ACUITE BB Stable (Assigned)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB Stable Reaffirmed

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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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