



Press Release
Modern Prefab System Private Limited
October 08, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	20.00	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	20.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	49.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Further, Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double Ba**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 9.00 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 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), Oriental Structural Engineers Private Limited, Dineshchandra R Agarwal Infracon Private Limited etc. The rating also takes into account the decline in the revenues though it remains modest at Rs 57.62 Cr. in FY24(Prov) against Rs.67.68 Cr. in FY23. The company further reported revenues of Rs. 26.67 Cr. during 5MFY25. 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 System 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered standalone business and financial risk profile of Modern Prefab System 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 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.

Reputed client base with a good revenue visibility

The company caters to reputed clientele like Indian Army, CRPF, Oriental Structural Engineers Private Limited, Dineshchandra R Agarwal Infracon Private Limited etc. The company has reported revenues of around Rs. 26.67 Cr. till August 2024 and has an order book position of around Rs. 75.37 Cr. which lends revenue visibility over the medium term.

Weaknesses

Modest Scale of Operations and Profitability

The scale of operations of the company witnessed decline though remained modest at Rs. 57.62 Cr. in FY24(Prov) as against Rs. 67.68 Cr. in FY23 marking a decline of 15%. The decline was majorly on the account of delays in billing towards the end of year. Furthermore, the company generated revenues of Rs. 26.67 Cr. in 5MFY25. Besides, the company currently has an unexecuted confirmed order book of Rs. 75.37 Cr. The profitability of the company remains volatile due to volatility depending on the nature of the contracts and the raw material price fluctuation. The operating profit margin of the company stood modest at 11.78% in FY24(Prov) as against 10.26% in FY23. Also, the PAT margins of the company remained at 2.36% in FY24(Prov) as compared to 2.32% in FY23. Acuité believes that the ability of the company to improve its scale of operations will remain a key monitorable over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the company is marked by moderate capital structure, and debt protection metrics. The tangible net worth of the company stood low at Rs. 41.11 Cr. as on March 31, 2024(Prov) as compared to Rs. 22.18 Cr. as on March 31, 2023. The increase is due to the introduction of Quasi Equity of Rs. 17.57 Cr. which was previously considered as unsecured loans, this is due to a sub-ordination of the same to bank loans. The total debt of the company stood at Rs. 38.86 Cr. as on 31st March 2024(Prov) as against Rs. 51.48 Cr. as on 31 March 2023. The total debt outstanding of the company comprises of long-term debt of Rs.15.43 Cr., Rs. 22.56 Cr. of short-term debt. The gearing level of the company continued to remain moderate at 0.95 times as on March 31, 2024(Prov), compared against 2.32 times same period last year largely due to change in treatment of unsecured loans to quasi equity. Also, the debt to EBITDA of the company remains very high at 5.41 times for FY24(Prov) compared against 7.32 times for FY23 on account of high debt levels of the company. The debt protection metrics remains moderate with debt service coverage ratio of 1.19 times in FY24(Prov) and interest coverage ratio stood at 1.45 times in FY24(Prov). Acuité believes that the financial risk profile of the company will continue to remain moderate on account of modest profitability and capital structure 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 354 days for FY24(Prov) and 236 days for FY23. The high GCA days is majorly on account of the inventory levels of the company that stood at 248 days during FY24(Prov) compared against 180 days for FY23. This increase is mainly due to delays in billing towards the end of year. The receivable days stood at 87 days for FY24(Prov) as against 30 days in FY23. 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 high for fund-based limits at 80.28% for last 7 months ended August 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.1.84 crore in FY2024(Prov) as against Rs. 0.74 Cr. repayment obligations. Besides, the average bank limit utilization by the

company remained high at ~80.28 percent in last 7 ended Aug-24. The operations of the company remained working capital intensive marked by high GCA days of 354 days for FY24(Prov) compared against 236 days for FY23. The current ratio stood at 1.75 times in FY24(Prov) as compared against 1.59 in FY23. 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. The outlook may be revised to 'Positive' in case Company generates higher than expected revenues and profitability or improves its working capital cycle. The outlook May be revised to 'Negative' in case of further decline in revenues and profitability and further elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	57.62	67.68
PAT	Rs. Cr.	1.36	1.57
PAT Margin	(%)	2.36	2.32
Total Debt/Tangible Net Worth	Times	0.95	2.32
PBDIT/Interest	Times	1.45	1.60

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
17 May 2024	Cash Credit	Long Term	16.00	ACUITE BB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A4+ (Reaffirmed)
03 Mar 2023	Cash Credit	Long Term	16.00	ACUITE BB Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	24.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	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.	20.00	Simple	ACUITE A4+ Reaffirmed
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.	4.00	Simple	ACUITE A4+ Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE BB Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB Stable Assigned
National Small Industries Corporation Ltd.	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB Stable Reaffirmed
National Small Industries Corporation Ltd.	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BB Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Patel Sneh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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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