

## Press Release

**M S Infraengineers Private Limited**

**March 15, 2023**

**Rating Assigned**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.75	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A3+   Assigned
Total Outstanding Quantum (Rs. Cr)	23.75	-	-

## Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 23.75 crore bank facilities of M S INFRAENGINEERS PRIVATE LIMITED (MSIL). The outlook is '**Stable**'.

### Rating Rationale

The ratings takes into account the long track record of operations of the firm, healthy financial risk profile characterized by steady gearing and debt protection metrics. The rating also draws comfort from the extensive experience of the promoters in the civil construction industry, along with reputed client profile of the company. The rating favourably factors in company's (MSIL) healthy order book position indicating satisfactory revenue visibility over the medium term. However, these strengths are partially offset by exposure to risk related to intense competition, geographical concentration risk in the order book, industrial cyclicity, susceptibility of operating margin to volatile input prices and working capital intensive nature of operations.

### About the Company

The M S Infraengineers Private Limited (MSIL) was established by Mr. Mahendra Swain, a Super Class Civil Contractor in Cuttack, Odisha. Most of the work undertaken by MSIL is recognized by government of Odisha. In 1976 Mr. Swain has started his civil firm, under his leadership the firm has executed many civil engineering projects like DAMs, Spill ways, Canals, roads, bridges, and national highways. Further, in 2011, the firm has been converted from individual capacity to a Private Limited company with similar interest of business. The Company has a strong technical personnel with highly skilled team of Engineers with strong Human Resources and latest Machineries which are able to complete many awarded projects on time.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MSIL to arrive at the rating.

### Key Rating Drivers

## **Strengths**

### **Experienced management and established relationship with customers**

Mr. Mahendra Swain, managing director of MSIL, has over four decades of experience in the construction industry. His son Ajit Kumar Swain, also has over a decade of experience in the construction industry. The promoters are well assisted by an experienced team of professionals with considerable experience in the construction industry. Further, being in civil construction works since 1976, MSIL, has a considerable experience and a proven track record. The company has successfully completed many projects in and around Odisha for various government departments. The long standing experience of the promoter and long track record of operations has helped him to establish comfortable relationships with key suppliers and reputed customers. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

### **Sound business risk profile supported by healthy order book position**

The operating revenue of the firm increased to Rs.197.73 Cr as on March 31, 2022 as against Rs.135.92 Cr in the previous year due to better execution of projects. The firm has achieved a revenue of Rs. 196.38 Cr for the 9 months ended FY23 (prov). The consistent improvement in revenue along with rise in profit margins have translated into increased cash accruals. The EBITDA Margin increased to 12.69 per cent as on 31st March, 2022 as against 9.97 per cent in the previous year due to better project mix and availability of adequate price escalation clause with the counter party. The PAT margin improved to 5.83 per cent as on March 31, 2022 as against 3.76 per cent in the previous year. The RoCE levels for the company improved to 27.96 per cent in FY2022 as against 20.46 per cent in FY2021. Though the firm's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. The firm has a healthy order book position with unexecuted orders in hand for infrastructure projects worth around Rs.936.83 Cr as on December, 2022 which are to be executed in the next one-two years, thereby providing strong revenue visibility in the medium term. Nearly 67 per cent of the company's order book comprises the road infrastructure and remaining 33 per cent for Bridge construction. The orders are from both the Central Government and the State Government of Odisha. Acuité believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

### **Healthy Financial Risk Profile**

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs. 47.43 crore in FY 2022 as compared to Rs 25.88 crore in FY2021. This improvement in networth is mainly due to the retention of current year profit along with infusion of equity capital. The gearing of the company has stood healthy at 0.75 times in FY 2022 when compared to 1.42 times in FY 2021. The gearing is expected to remain low over the medium term on account of absence of any debt funded capex plans. Interest coverage ratio (ICR) stood at 5.44 times in FY2022 as against 3.03 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood at 4.60 times in FY2022 as compared to 2.60 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.47 times in FY2022 as compared to 0.20 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

## **Weaknesses**

### **Working capital intensive nature of operation**

The working capital management of the company has improved in FY22, although marked by Gross Current Assets (GCA) of 190 days in 31st March 2022 as compared to 242 days on 31st

March 2021 with increased efficiencies in inventory management. The high GCA days are mainly led by significant earnest money, fixed deposit receipts pledged against EMD and retention money kept by the tendering authorities. The debtor period stood at 120 days as on March 31, 2022 as compared to 171 days as on March 31, 2021. Further, the inventory holding is at 1 day as on March 31, 2022 as compared to 2 days as on March 31, 2021. Acuité believes that the working capital operations of the company will remain intense as evident from its high debtor levels; due to the time taken to execute the orders, operating cycle takes between 1 to 3 months resulting in the large working capital requirement.

### **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, the company has an in-built price variation clause for major raw materials like cement, bitumen & steel in majority of its contracts which protects its margin to an extent.

### **Rating Sensitivities**

Scaling up of operations while maintaining their profitability margin

Timely execution of orders

Sustenance of existing financial risk profile with healthy capital structure

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has adequate liquidity marked by comfortable net cash accruals of Rs. 16.93 crore as against no long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 24.16 crore to Rs. 27.72 crore during 2023-24 as against Rs. 5.03 crore of long term debt obligations FY2023 and Rs.5.03 crore in FY2023 respectively. The bank limit of the company has been 41 percent utilized during the last six months ended in December 2022. The current ratio of the company stood at 1.20 times in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against no long debt repayments over the medium term.

### **Outlook: Stable**

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, moderate business risk profile and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues or stretch in working capital cycle leading to deterioration in the liquidity position of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	197.73	135.92
PAT	Rs. Cr.	11.53	5.12
PAT Margin	(%)	5.83	3.76
Total Debt/Tangible Net Worth	Times	0.75	1.42
PBDIT/Interest	Times	5.44	3.03

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

India Ratings vide its press release dated 28.07.2022, had reaffirmed the company to IND-RA BB/A4+; INC

### Any other information

None

### 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

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](http://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
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.75	ACUITE BBB   Stable   Assigned

## Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Swagata Bhattacharjee Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:swagata.bhattacharjee@acuite.in">swagata.bhattacharjee@acuite.in</a></p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### 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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