



Press Release
M S Infraengineers Private Limited
October 08, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	40.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	50.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	98.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at ‘**ACUITE BBB+**’ (read as **ACUITE triple B Plusa**) and the short-term rating to ‘**ACUITE A2**’ (read as **ACUITE A Two**) on the Rs.90.00 crore bank facilities of M S Infraengineers Private Limited (MSIL). The outlook is ‘**Stable**’.

Further, Acuite has assigned the long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B Pluso**) on the Rs.8.00 crore bank facilities of M S Infraengineers Private Limited (MSIL). The outlook is ‘**Stable**’.

Rationale for Rating

The reaffirmation of the rating reflects the company’s stable overall business and financial risk profile. The business risk profile remains strong, as evidenced by the increased scale of operations in FY2024 (Prov) compared to previous years, driven by the healthy execution of its order book. The company recorded an operating income of Rs. 381.25 crore in FY2024 (Prov), up from Rs. 224.33 crore in FY2023. This growth in revenue is expected to be sustained in the medium term, supported by a current executable order book position of Rs.1202 crore as of August 2024.

The rating also reflects improvements in profitability margins and adequate liquidity. Operating margins improved to 24.39% in FY2024 (Prov) from 16.58% in FY2023, while PAT margins increased to 11.93% in FY2024 (Prov) from 9.85% in FY2023. Furthermore, the company’s financial risk profile remains healthy, marked by a robust net worth, comfortable gearing, and strong debt protection metrics, supported by sustained profitability margins.

However, these strengths are partially offset by risks related to intense competition, geographical concentration in the order book, industrial cyclicality, susceptibility of operating margins to volatile input prices, and the 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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.381.25 Cr. as on March 31, 2024 (Prov) as against Rs.224.33 Cr. in FY2023 due to better execution of projects. The 5MFY25 revenue stood at Rs.146 Cr. The consistent improvement in revenue along with rise in profit margins have translated into increased cash accruals. The EBITDA Margin increased to 24.39 per cent as on 31st March, 2024 (Prov) as against 16.58 per cent in FY2023 due to better project mix and availability of adequate price escalation clause with the counter party. Also, the company designs its own projects, has its own crushers, keeping the fixed costs same helps in improving the margins. The PAT margin improved to 11.93 per cent as on March 31, 2024 (Prov) as against 9.85 per cent in FY2023. The RoCE levels for the company improved to 45.30 per cent in FY2024 (Prov) as against 29.76 per cent in FY2023. Though the firm's profitability is exposed to volatility in raw material prices, 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.1202 Cr. as on August 2024 which are to be executed in the next one-two years, thereby providing strong revenue visibility in the medium term. Nearly 67 percent of the company's order book comprises of road infrastructure and the remaining 33 percent for Bridge construction. Also, 65-70% of the orders comprise from NHAI and central government and the remaining 30-35% from state government.

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 healthy marked by healthy net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs. 115.51 crore in FY 2024 (Prov) as compared to Rs 70.02 crore in FY2023. This improvement in networth is mainly due to the retention of current year profit. The total debt of the company stood at Rs.89.39 Cr for FY2024 (Prov) which comprises of long-term debt of Rs.55.82 Cr, unsecured loans of Rs.1.07 Cr, short-term debt of Rs.17.59 Cr, CPLTD of 14.92 Cr. The gearing of the company has stood healthy at 0.77 times in FY 2024 (Prov) as compared to 1.06 times in FY 2023. 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 8.19 times in FY2024 (Prov) as against 8.45 times in FY 2023. The debt service coverage ratio (DSCR) of the company stood at 2.70 times in FY2024 (Prov) as compared to 3.45 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.66 times in FY2024 (Prov) as compared to 0.41 times in the previous year.

Acuite 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 FY24 (Prov), although marked by Gross Current Assets (GCA) of 121 days in 31st March 2024 (Prov) as compared to 170 days on 31st March 2023 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 improved and stood at 57 days as on March 31, 2024 (Prov) as compared to 99 days as on March 31, 2023. The average credit period allowed to customers is of 15-30 days. The creditor days stood at 48 days in FY2024

(Prov) as against 232 days in FY2023. The average credit period allowed by suppliers is 30-45 days. Further, the inventory holding is at 13 days as on March 31, 2024 (Prov) as compared to 2 days as on March 31, 2023. Also, the consolidated fund-based limit remained utilized at 60-70 per cent and consolidated non-fund-based at around 80-90 percent over 12 months ended February 2024.

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

Liquidity Position

Adequate

The company's liquidity position is adequate marked by comfortable net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.16.93-58.89 Crore from FY 2022- 2024 (Prov) against its maturing debt obligations in the range of Rs.4.52-14.29 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.81.89-98.83 crores against the maturing repayment obligations of around Rs.14.92-16.24 crore over the medium term. The working capital management of the Company is intensive marked by improved GCA days of 121 days in FY2024 (Prov) as against 170 days in FY2023. The company maintains unencumbered cash and bank balances of Rs.15.73 crore as on March 31, 2024 (Prov). The current ratio stands at 1.78 times as on March 31, 2024 (Prov) as against 1.12 times as on March 31, 2023. The consolidated fund-based limit remained utilized at 60-70 per cent and consolidated non-fund-based at around 80-90 percent over 12 months ended February 2024.

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, healthy order book, 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 and capital structure. Conversely, the outlook may be revised to 'Negative' in case of 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	381.25	224.33
PAT	Rs. Cr.	45.48	22.09
PAT Margin	(%)	11.93	9.85
Total Debt/Tangible Net Worth	Times	0.77	1.06
PBDIT/Interest	Times	8.19	8.45

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>
- 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, 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
21 May 2024	Bank Guarantee (BLR)	Short Term	19.00	ACUITE A2 (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A2 (Assigned)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	18.75	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	11.25	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB+ Stable (Assigned)
15 Mar 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	18.75	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A2 Reaffirmed
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.00	Simple	ACUITE A2 Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE A2 Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE BBB+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.25	Simple	ACUITE BBB+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.75	Simple	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2027	8.00	Simple	ACUITE BBB+ 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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