

Press Release

V M Matere Infrastructures India Private Limited

April 07, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.20	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	59.80	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	187.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-'** (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs 187 crore bank loan facilities of V M Matere Infrastructures India Private Limited (VMM). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the established track record of operations of almost three decades along with experienced management. Further, the rating factors in the sustained growth in scale of operations over the three years ending FY22. The operating income of the company stood at Rs.214.99 crore in FY22 as against 191.38 crore in FY21 and Rs. 165.08 crore in FY20. However, revenue recorded till February 2023 is Rs 124.39 Cr. The rating is also driven by healthy order book position of Rs 334.37 Cr as on February 2023 which is to be executed in next 20-24 months providing revenue visibility over the medium term. However, the above mentioned strengths are constrained by working capital intensive nature of operations which is also reflected by high reliance on bank borrowing with an average fund based limit utilization of 98% for 12 months ended February 2023. Further, the financial risk profile of the company remains moderate with log gearing and below unity DSCR. The rating is also constrained by vulnerability of profitability to adverse fluctuation in raw material prices, the intensity of competition in industry due to tender driven nature of operations restricting profit margins.

About the Company

V.M. Matere Infrastructures (India) Private Limited was established in the year 1993 as a proprietorship firm by Mr. Vishnu Mahadev Matere at Pune, Maharashtra. It was converted into a private limited company in 2007. VMM undertakes residential, commercial & industrial and civil construction, primarily related to flyovers, bridges, roads and buildings for government agencies such as the Public Works Department, Military Engineering Services and Pimpri Chinchwad Municipal Corporation (PCMC). It has completed some major reputed projects in the past for various Government bodies. The day-to-day operations are managed by Mr. Vishnu Mahadev Matere and Mr. Sindhu Vishnu Matere.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of VMM to arrive

at the rating.

Key Rating Drivers

Strengths

Established track record and experienced management

V.M. Matere Infrastructures (India) Private Limited was established in the year 1993 as a proprietorship firm and then converted into a private limited company in 2007. The company is promoted by Mr. Vishnu Mahadev Matere & Sindhu Vishnu Matere who has an experience of more than a decade in the business. VMM undertakes residential, commercial & industrial and civil construction, primarily related to flyovers, bridges, roads and buildings for government agencies such as the Public Works Department, Military Engineering Services and Pimpri Chinchwad Municipal Corporation (PCMC). It has completed some major reputed projects in the past for various Government bodies. The established track record and experience of management is also reflected through Y-o-Y growth in revenue, operating income of the company stood at Rs.214.99 crore in FY22 as against 191.38 crore in FY21 and Rs. 165.08 crore in FY20. However, the revenue has declined substantially in current fiscal year as the company has achieved revenue of RS 124.39 Cr till date and is expected to close at Rs 150 Cr. Further, the order book remains healthy at Rs 334.37 Cr as on February 2023 which is to be executed in next 20-24 months providing revenue visibility over the medium term.

Acuite believes that VMM will continue to benefit over the medium term from its established track record of operations and healthy order book position.

Weaknesses

Moderate Financial risk profile

The financial risk profile of the company remained moderate marked by moderate net worth, below average debt protection metrics and moderate gearing ratio. The net worth of VMM stood at Rs.93.45 Crs as on FY22 as against Rs. 87.83 Crs as on FY21. The increase in net worth is majorly due to accretion of profits to the reserves. The gearing level (debt-equity) stood at 1.04 times as on FY22 as against 0.93 times as on FY21. The coverage indicators are below average marked by Interest Coverage Ratio (ICR) of 2.10 times for FY22 as against 2.47 times for FY21. Debt service coverage ratio (DSCR) stood at 0.83 times in FY22 as compared with 1.03 times in FY21. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 1.64 times in FY22 as against 1.57 times in FY21.

Acuite believes that financial risk profile of the company may continue to remain moderate over the medium term with decline in operations and high repayment obligations.

Working capital intensive operations

Operations of V M M are working capital intensive in nature marked by GCA Days of 286 days in the FY22 as against 252 days in FY21. The receivables days stood at 79 days in FY22 as compared with 91 days as on FY21. The inventory days stood at 161 days in FY22 as compared with 140 days in FY21. The inventory is majorly constitute of work-in-progress where in the billing is yet to be done for the completed work. The creditor days of the company stood at 94 days in FY22 as against 72 days in FY21.

Acuite believes that working capital operations of VMM may continue to remain intensive considering the nature of business.

Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some extent.

Rating Sensitivities

Substantial improvement in scale of operations while maintaining profitability margins
Further elongation of working capital cycle leading to stretch in liquidity

Material covenants

None

Liquidity Position

Stretched

The liquidity position of VMM is stretched as the cash accruals generated of Rs. 9.50 Crs in FY22 were not adequate against the maturing debt obligation of Rs 13.64 Cr during the same period. However, with the infusion of unsecured loans from directors of Rs 21.33 Crs the debt obligations were repaid. Further, the company is expected to generate a cash accruals in the range of Rs 7.21Cr - Rs 10.21 Cr in the medium term against the repayment obligation of Rs 13 Cr- Rs 13.5 Cr during the same tenure. However, the same will be paid through the infusion of funds already done. The current ratio stood at 1.87 times in FY22. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.10 times in FY22 as against 0.12 times in FY21. Further, the average bank limit utilization for fund based limits is 98% and for non-fund based limits is 30% for 12 month ended February 2023.

Acuite believes that liquidity may continue to remain stretch in near term with decline in operations and high repayment obligation along with higher reliance on bank borrowings.

Outlook: Stable

Acuite believes that VMM will continue to maintain a 'Stable' outlook over near to medium term owing to its established track record and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, improvement in working capital management, debt protection metrics & liquidity. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected debt and working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	214.99	191.38
PAT	Rs. Cr.	5.62	6.55
PAT Margin	(%)	2.62	3.42
Total Debt/Tangible Net Worth	Times	0.66	0.93
PBDIT/Interest	Times	2.10	2.47

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

Brickworks vide its press release dated 06/05/2022 had downgraded the company to BWR D/D; 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.

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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4 Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	29.80	ACUITE A4 Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB- Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.20	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	75.29	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.31	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.04	ACUITE BB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.66	ACUITE BB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.30	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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