MKS Constro-Venture Private Limited

May 17, 2024

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities	25.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	35.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Short Term Bank Facilities	65.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	**150.00 (Rupees One hundred and fifty crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of MKS Constro-Venture Private Limited (MKS) continues to derive comfort from its promotor's experience in infrastructure sector, satisfactory business performance driven by higher execution of work orders, comfortable financial risk profile of the company marked by satisfactory leverage ratios and comfortable debt protection metrics. Moreover, its healthy order book position also indicates a satisfactory near to medium term revenue visibility. However, these rating strengths are partially offset by its exposure to intense competition and tender driven nature of its business, revenue concentration risk as maximum of its outstanding order book position are from the state of Maharashtra and high exposure to its associates entities (JV and SPVS) in the form of investments, loans & advances and extended corporate guarantees.

Rating Sensitivities

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics

- Improvement in liquidity with better working capital management and reduction in GCA days
- Reduction in exposure to associate entities

Downward Factors

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis.
- Moderation in the capital structure with overall gearing ratio deteriorated to over 1x and deterioration in interest coverage ratio to below 4x.
- Stretch in timely receipts of contract proceeds impacting the liquidity.
- Steady rise in exposure to associate entities

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

The company is promoted by Mr. Shrikant Bhangdiya along with Mr. Mahendra Heda and Mr. Firdoskhan Wahedkhan Pathan who have experience of more than one decade in engineering, procurement, and construction (EPC) business.

Satisfactory business performance

Total operating income of the company moderated in FY24 (provisional) to Rs.481.96 crore from Rs.549.33 crore in FY23. The lok sabha election 2024 have prompted the implementation of the model code of conduct across the country, which prohibits the initiation of new infrastructure projects. As a result, the company was refraining from accepting any new contracts. This has led to a decline in business performance in FY24. This has led to a decline in scale of operation in FY24. Despite decline in TOI, EBITDA margin and PAT margin improved in FY24 (provisional) to 12.52% and 8.85% as compared to 11.94% and 8.73% respectively in FY23 due to execution of higher margin contract.

Healthy order book position indicating a near to medium term revenue visibility

As on April 26, 2024, MKS has order book position of Rs.2346.22 crore, which is 4.87x of FY24 (provisional) revenue to be completed in coming 18-24 months, providing a near to medium-term revenue visibility.

Comfortable financial risk profile marked by satisfactory leverage ratios and comfortable debt protection metrics

The capital structure of the company remained satisfactory as on the past three account closing dates marked by its healthy net worth base and low reliance on external debts. The net worth base of the company stood healthy at Rs.181.20 crore as on March 31,2023 and Rs.263.82 crore as on March 31, 2024. The overall gearing ratio remained satisfactory at 0.09x as on March 31, 2024 (Provisional) as compared to 0.08x as on March 31, 2023. The slight moderation in gearing is due to higher utilisation of bank borrowings and higher availment of equipment loan as on balance sheet date. Further, the total indebtedness marked by TOL/TNW also remained comfortable at 1.71x as on March 31, 2024. The debt protection metrics as indicated by interest coverage ratio was comfortable at 9.88xx in FY24. Further, the Total debt to EBITDA and Total debt to GCA stood comfortable at 0.39x & 0.51x respectively as on March 31,2024 (Prov.).

Key Rating Weaknesses

Presence in a highly competitive industry and tender nature of the business

The domestic infrastructure/construction sector is characterised with presence of many players with varied statures & capabilities. Moreover, the company secures its contracts through tender based mechanism.

Revenue concentration risk

The company faces high geographical concentration risk as maximum of its outstanding order book position are from Maharashtra. Any delays may impact project execution and consequent revenue generation. Also, most of the projects under execution belong to the road and highway implying sectoral risks.

Significant exposure in associate entities

The credit risk profile of the company is restricted due to its high exposure to its group/associates' entities (JV and SPVS) in the form of investments, loans & advances and extended corporate guarantees.

Analytical Approach: Standalone

Applicable Criteria:

Criteria for rating outlook

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on complexity

Policy of default recognition

Liquidity: Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its debt repayment obligations during FY25-FY27. The company has earned a gross cash accrual of Rs.46.25 crore in FY24 provisional against debt repayment obligation of Rs.4.01 crore. Moreover, company has not used its cash credit limits in most of the months during the past 12 months ended in February 2024 and has surplus fund in its account indicating an adequate liquidity buffer.

About the Company

Incorporated in 2011, MKS Constro Venture Private Limited (MKS) is engaged in the business of civil construction and primarily undertakes irrigation works and road construction works in Telangana and Maharashtra. The company is promoted by Mr. Shrikant Bhangdiya and is part of Bhangdiya group. The promoter started the business in the year 1993 as a proprietorship concern and reconstituted as a private limited company in the year 2011. Besides its own contracts, the company also operates through various SPV's and joint ventures with other companies for execution of projects. MKS has invested through equity and also provided loans and advances to such JVs/SPV's, which are primarily formed for executing HAM projects. The HAM projects are awarded to these SPVs and the SPVs in turn awarded the contracts to MKS for execution.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	320.14	549.33
EBITDA	38.33	65.57
PAT	27.61	48.28
Total Debt	19.59	14.68
Tangible Net worth	133.34	181.20
EBITDA Margin (%)	11.97	11.94
PAT Margin (%)	8.60	8.73
Overall Gearing Ratio (x)	0.15	0.08

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	March 03, 2023	-
1	Cash Credit	Long Term	21.00	IVR BBB/ Stable	-	IVR BBB/ Stable	-
2	Cash Credit (Proposed)	Long Term	29.00	IVR BBB/ Stable	-	IVR BBB/ Stable	-
3	Bank Guarantee	Short Term	55.00	IVR A3 +	-	IVR A3 +	-
4	Bank Guarantee (Proposed)	Short Term	45.00	IVR A3 +	-	IVR A3 +	-

Name and Contact Details of the Rating Analyst:

Name: Nidhi Sukhani	Name: Avik Podder
Tel: (033)- 46022266	Tel: (033)- 46022266
Email: nsukhani@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	21.00	IVR BBB/ Stable
Cash Credit (Proposed)	-	-	-	29.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	55.00	IVR A3+
Bank Guarantee (Proposed)	-	-	-	45.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-MKS-17may24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.