



Press Release

Milan Road Buildtech LLP (MRBL)

August 08, 2022

Ratings

| Facilities | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|--|--------------------------------|---|---|---------------|--------------------------------------|
| Long term fund based bank facility – Cash Credit | 57.00 (Enhanced from 7.00) | IVR BBB/ Stable; (IVR Triple B with Stable Outlook) | IVR BBB/ Stable; (IVR Triple B with Stable Outlook) | Reaffirmed; | Simple |
| Long term fund based bank facility – Proposed | 36.00 | IVR BBB/ Stable; (IVR Triple B with Stable Outlook) | - | Assigned | Simple |
| Short term non fund based bank facility – Bank Guarantee | 32.00 (Enhanced from 18.00) | IVR A3+ (IVR A Three Plus) | IVR A3+ (IVR A Three Plus) | Reaffirmed | Simple |
| Total | 125.00 | | | | |

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation of Milan Road Buildtech LLP (MRBL) continues to derive comfort from experienced management & long track record of the firm in road construction segment, proven project execution capability, Owned fleet of equipment leading to operational efficiency, healthy order book reflecting satisfactory medium-term revenue visibility and comfortable capital structure with healthy debt protection metrics. However, these rating strengths remain constrained by volatile input prices, concentration risk and highly fragmented & competitive nature of the construction sector with limited price flexibility

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operations with improvement in profitability and cash accruals on a sustained basis



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- Ability to complete pending projects within contractual timeline and without any cost escalation.

Downward Factor:

- Deterioration in leverage.
- Decline in profitability and elongation in operating cycle.
- Delay in order execution, which may adversely impact the financial risk profile.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management & long track record of the firm in road construction segment

MRBL has a track record of more than a decade in the construction sector. The firm is owned by Mr. Alpesh G. Patel and his family members, who each have an experience of over a decade in civil construction work. They are well supported by a team of experienced and qualified professionals.

Proven project execution capability

Over the past years, the firm has successfully completed many projects across Gujarat and Maharashtra and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

Majority of fleet of equipment is owned by MRBL; leading to operational efficiency

MRBL has continuously added to its fleet of plant and machinery to complete the orders on time. The firm has a large fleet of owned equipment's including dumpers, tankers, crushers, transit mixers, trailers, DG sets, etc. Owned fleet equipment has led to an improvement in operational efficiency for the firm.



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Healthy order book reflecting satisfactory medium-term revenue visibility

The firm has a healthy order book position of Rs. ~1482 Crore as on May 26, 2022 which is about 10 times of its FY22 revenue (i.e. Rs.142.20 crore). The orders are expected to be completed within next two to three years, indicating a satisfactory medium term revenue visibility.

Comfortable capital structure and healthy debt protection metrics

MRBL has a comfortable capital structure over the years on the back of its satisfactory net worth base of Rs.99.37 crore as on March 31, 2022 (provisional) and relatively low reliance on external debts. The overall gearing ratio of MRBL remains comfortable and stood at 0.23x on Mar.31, 2022 (provisional) vis-a-vis 0.66x as on March 31, 2021. Total indebtedness of the MRBL as reflected by the TOL/ATNW stood satisfactory at 0.79x as on March 31,2022 (Prov.). Further, with low reliance on external debt the debt protection metrics of the firm remained healthy over the past three fiscals. The interest coverage remained strong at 2.17x in FY22 (Prov.).

Key Rating Weaknesses

Volatile input prices

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products. However, the company has been able to partly mitigate the volatility of input prices to a certain extent with the help of inherent cost escalation clause added into the contracts.

Concentration risk

MRBL's focus is limited to roads only (including construction, rehabilitation and up-gradation). Hence, there exists sectorial concentration risk. Further, the present order book is geographically skewed towards Gujarat and Maharashtra from various government departments also indicating a geographical concentration risk. However, the firm has adequate experience in order to execute projects in these states which provide comfort.



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Highly fragmented & competitive nature of the construction sector limiting price flexibility

The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied stature & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern as the same can dent the margins.

Analytical Approach: Consolidated Approach

Analytical approach has been changed to consolidated from standalone.

For arriving at the rating Infomerics has considered consolidated credit profile of Milan Road Buildtech LLP (MRBL) with its SPVs as EPC contract for SPVs are done by MRBL hence ultimately risk of SPVs are transferred to MRBL.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on assigning rating Outlook](#)

Liquidity - Adequate

The liquidity position of the firm is expected to remain adequate in the near to medium term driven by sufficient cushion in expected accruals in the range of ~Rs.16.91 crore to Rs.28.30 crore as compared to debt repayment obligation in the range of ~Rs.7.02-0.62 crore during FY23-25. Further, with a gearing of 0.38 times as of March 31, 2022 (Prov.), the firm has sufficient gearing headroom. Moreover, the firm has no major near term capex plan, which imparts comfort. Besides, its average of maximum bank limit utilisation remained comfortable at ~55% in the last 12 months ended May 2022 is also indicating an adequate liquidity buffer. The firm also has adequate unutilised non fund based limits to support its operations in the near term.



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About the Firm

Milan Buildtech Road LLP (erstwhile Milan Associates) is based in Nadiad, Gujarat. Earlier, the firm was promoted by Mr Raken Dhirajlal Shah in 1994 and was subsequently sold as a going concern to Mr Alpesh Patel (present managing partner) in 2007. In April 2018, the firm changed its constitution to limited liability partnership. The firm is mainly engaged in road construction and canal/irrigation work for the government departments and semi-government bodies of Gujarat and Maharashtra and is registered as “AA” Class in the R & B department Registration Sp. Category I Road Construction & Sp. Category II Bridge Construction.

Financials (Consolidated)

| For the year ended* As on | INR in Crore | |
|---------------------------|--------------|-------------|
| | 31-03-2021 | 31-03-2022 |
| | Audited | Provisional |
| Total Operating Income | 229.08 | 142.20 |
| EBITDA | 29.26 | 14.27 |
| PAT | 23.01 | 8.91 |
| Total Debt | 46.28 | 38.23 |
| Tangible Networkth | 63.34 | 99.37 |
| EBITDA Margin (%) | 12.77 | 10.04 |
| PAT Margin (%) | 9.86 | 6.07 |
| Overall Gearing Ratio (x) | 0.66 | 0.23 |

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.



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Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2022-23) | | | Rating History for the past 3 years | | |
|---------|---|--------------------------------|--------------------------------|-------------------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 (Dated: June 22, 2021) | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Fund Based Bank Facility – Cash Credit | Long Term | 57.00 | IVR BBB/ Stable | IVR BBB/ Stable | - | - |
| 2. | Fund Based Bank Facility – Proposed | Short Term | 36.00 | IVR BBB/ Stable/IVR A3+ | - | - | - |
| 3. | Non-Fund Based Bank Facility – Bank Guarantee | Short Term | 32.00 | IVR A3+ | IVR A3+ | - | - |

Name and Contact Details of the Rating Analysts:-

| | |
|---|---|
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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The



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transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Fund Based Facilities – Cash Credit | - | - | - | 57.00 | IVR BBB/ Stable |
| Long Term Fund Based Facilities – Proposed | - | - | - | 36.00 | IVR BBB/ Stable |
| Short Term Non-Fund Based Facilities – Bank guarantee | - | - | - | 32.00 | IVR A3+ |

Annexure 2: List of companies considered for consolidated analysis: List of SPVs for which EPC is done by MRBL

| Sr. no. | Name of the SPVs |
|---------|---------------------------------------|
| 1. | Palghar Road Project Private Limited |
| 2. | Shahpur Road Project Private Limited |
| 3. | AIPL Mu Five Project Private Limited |
| 4. | Shenwa Infrastructure Private Limited |

Annexure 3: Facility wise lender details:



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<https://www.infomerics.com/admin/prfiles/Len-Milan-Road-aug22.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.