Milan Road Buildtech LLP (MRBL)

March 26, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	166.59 (Enhanced from Rs.113.97 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Rating upgraded	Simple
Proposed Long Term Bank Facilities	29.50 (Reduced from Rs.33.20 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Rating upgraded	Simple
Short Term Bank Facilities	132.00 (Enhanced from Rs.131.80 crore)	IVR A2+ (IVR A Two Plus)	IVR A2 (IVR A Two)	Rating upgraded	Simple
Proposed Short Term Bank Facilities	123.00 (Enhanced from Rs.21.03 crore)	IVR A2+ (IVR A Two Plus)	IVR A2 (IVR A Two)	Rating upgraded	Simple
Total	**451.09 (Rupees Four hundred fifty-one crore and nine lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its rating to IVR A-/Stable/IVR A2+ for the bank facilities of Milan Road Buildtech LLP (MRBL). The upgradation of rating takes into account overall improvement in operational and financial performance of the firm, as reflected in increased scale of operations in FY24 (refers to the period from April 1 to March 31) and healthy debt protection metrics. The ratings continue to factor in the strengths emanating from experienced management & long track record of the firm in road construction segment, majority owned fleet of equipment leading to operational efficiency, healthy order book reflecting satisfactory medium-term revenue visibility and all Hybrid Annuity Mode (HAM) projects for which the corporate guarantee is given by MRBL are operational and receiving annuities from Public Works Department (PWD) (Maharashtra) in a timely manner. However, these rating strengths remain constrained by moderate capital structure, susceptibility of profitability to volatile input prices, concentration risk and highly fragmented & competitive nature of the construction sector.

The Stable outlook reflects the expected growth in revenue as well as profitability in the medium term backed by healthy order book position.

Key Rating Sensitivities:

Upward Factors

- Significant increase in scale of operations along with improvement in profitability and cash accruals on a sustained basis.
- Sustenance of the adjusted overall gearing below 1.00x and TOL/ATNW below 2.00x.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile.
- Sharp changes in leverage leading to deterioration in debt protection metrics.
- Stretch in the working capital cycle impacting on the liquidity of the firm.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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

MRBL, owned by Mr. Alpesh G. Patel and his family and friends, has a track record of more than a decade in the construction sector. Mr. Alpesh is a mechanical engineer and has an experience of over 18 years in civil construction work. He handles the overall affairs of the firm and is well supported by a team of experienced and qualified professionals. Over the past years, the firm has successfully completed many projects across Gujarat and Maharashtra thus ensuring repeat orders.

Majority owned fleet of equipment leads 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 of the firm.

Healthy order book reflecting satisfactory medium-term revenue visibility.

As on January 31,2025 the firm has a healthy unexecuted order book position of Rs.3033.58 crore which is about 4.49 times its FY24 revenue i.e. Rs.675.97 crore. The orders are expected to be completed within the next 2 years, indicating a satisfactory medium term revenue visibility.

Increasing scale of operations, expected to continue in FY25

The firm posted revenue growth of ~62% from Rs.417.68 crore in FY23 to Rs.675.97 crore in FY24 on account of increase in order book position and timely execution of projects. This has led to improvement in absolute EBITDA from Rs.40.62 crore in FY23 to Rs.72.11 crore in FY24. Accordingly, EBITDA margin improved from 9.72% in FY23 to 10.67% in FY24. PAT has improved from Rs.23.19 crore in FY23 to Rs.37.45 crore in FY24. The PAT margin stood at a similar level at 5.45% in FY23 and 5.44% in FY24. During 11MFY25 (Unaudited) the firm made a revenue of Rs.850.00 crore.

Key Rating Weaknesses

Moderate capital structure with healthy debt protection metrics

The firm has a book tangible networth (TNW) of Rs.102.13 crore as on March 31, 2024. Total debt of the firm increased from Rs.95.60 crore as on March 31, 2023, to Rs.202.73 crore as on March 31,2024 with increase in scale of operations. This includes loan taken from banks for purchase of various machinery and equipment amounting to Rs.26.96 crore, Rs.112.96 crore working capital limits, Rs.52.00 crore taken as a credit facility for material purchase and Rs.10.81 crore loan and advances from related parties/promoter. The firm has infused unsecured loan from promoters of Rs.37.81 crore in FY24 of which Rs.27.50 crore is considered as quasi equity as per banks sanction letter. Thus, the overall gearing (on book TNW) deteriorated to 1.99x as on March 31, 2024, vis a vis 0.95x as on March 31, 2023. Total indebtedness as reflected by TOL/TNW deteriorated to 3.80x as on March 31, 2024, from 1.89x as on March 31, 2023.

The firm’s investment in various projects stood at Rs.70.36 crore as on March 31, 2024. Thus, adjusted overall gearing deteriorates to 3.42x as on March 31,2024 and TOL/ATNW continues to remain high at 6.55x as on March 31,2024.

Further, the firm has given corporate guarantee to four SPVs, namely Shahpur Road Project Private Limited, AIIPL Mu Five Project Private Limited, Shenwa Infrastructure Private Limited and Palghar Road Project Private Limited aggregating to Rs.190.07 crore as on March 31,2024. After loading the corporate guarantees, the leverage ratios deteriorate further.

However, these are all operational projects with annuities being received from PWD Maharashtra. The firm has applied for release of corporate guarantees on completion of first major maintenance and expects the same to be released in FY26.

Debt protection metrics like interest coverage continue to be healthy at 3.69x for FY24, and 4.45x for FY23. Total debt to EBITDA continues to be moderate at 2.81x in FY24 and 2.35x in FY23.

Susceptibility of profitability to 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 firm are susceptible to fluctuation in raw material prices and/or finished products. However, the firm has been able to shake off the effect of volatility to a certain extent with the help of inherent cost escalation clause added into the contracts. EBITDA margin stood at 9.72x in FY23 and 10.67x in FY24.

Concentration risk

The present order book is geographically skewed towards Maharashtra, primarily Mumbai with ~92% of order book concentration. Order book is also highly concentrated between two clients Metropolitan Region Development Authority (MMRDA) (~39%) and NCC Ltd. (~46%). However, the firm has adequate experience in executing projects in the state, which mitigates this risk to some extent.

Highly fragmented & competitive nature of the construction sector

The construction sector is highly fragmented with the presence of many players with varied stature & capabilities. While the competition is perceived to be healthy, significant price cuts by few players during the bidding process are a matter of serious concern as the same can dent the margins.

Constitution of the entity

MRBL is a limited liability partnership firm and any significant withdrawals from the capital account by partners could impact its net worth and hence, the capital structure.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook]

[Rating Methodology – Infrastructure Companies](#)

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

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

Liquidity position is adequate marked by sufficient cushion expected in cash accruals vis-à-vis debt repayment obligations of Rs.9.45 crore in FY25 and Rs.6.00 crore in FY26.The average working capital utilisation level of the firm stood moderate at ~69% during the last 12 months ended February 2025. The firm had a free cash and bank balance of Rs.23.13 crore as on March 31, 2024.The current ratio was at 1.03x as on March 31,2024.

About the Company

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 subsequently was sold as a going concern to Mr Alpesh Patel (present managing partner) in 2007. In April 2018, the firm changed its constitution to a limited liability partnership. The firm is mainly engaged in road construction for the government 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 (Standalone)

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	417.68	675.97
EBITDA	40.62	72.11
PAT	23.19	37.45
Total Debt	95.60	202.73
Tangible Net Worth	100.20	102.13
EBITDA Margin (%)	9.72	10.67
PAT Margin (%)	5.45	5.44
Overall Gearing Ratio (x)	0.95	1.99
Interest Coverage (x)	4.45	3.69

* *Classification as per Infomerics’ standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type (Long Term/ Short Term)	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 in 2021-22
					January 19,2024	June 07,2023	August 08,2022	June 22,2021
1.	GECL	Long Term	1.09	IVR A-/Stable	IVR BBB+/Stable	-	-	-
2.	Cash Credit	Long Term	165.50	IVR A-/Stable	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB/stable	IVR BBB/stable
3.	Proposed Cash Credit	Long Term	29.50	IVR A-/Stable	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB/stable	-
4.	Overdraft	Short Term	-	-	IVR BBB+/Stable	IVR A2	-	-
5.	Purchase order discounting	Short Term	5.00	IVR A2+	IVR A2	-	-	-
6.	Bank Guarantee	Short Term	127.00	IVR A2+	IVR A2	IVR A2	IVR A3+	IVR A3+
7.	Proposed Bank Guarantee	Short Term	123.00	IVR A2+	IVR A2	IVR A2	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Ratings Pvt Ltd] 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 and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund based bank facilities- GECL	-	-	-	October 30,2026	1.09	IVR A-/Stable
Long Term – Fund based bank facilities- Cash Credit	-	-	-	-	165.50	IVR A-/Stable
Long Term – Fund based bank facilities- Proposed Cash Credit	-	-	-	-	29.50	IVR A-/Stable
Short Term-Fund based bank facilities- Purchase order discounting	-	-	-	-	5.00	IVR A2+
Short Term-Non-Fund-based bank facilities- Bank Guarantee	-	-	-	-	127.00	IVR A2+
Short Term-Non-Fund-based bank facilities- Proposed Bank Guarantee	-	-	-	-	123.00	IVR A2+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-MilanRoad-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.