



Press Release

MITCON Consultancy & Engineering Services Limited

March 26, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Short Term Bank Facilities	20.00	IVR A4+ (IVR A Four Plus)	Assigned
2.	Short Term Bank Facilities	(20.00)*	IVR A4+ (IVR A Four Plus)	Assigned
	Total	20.00		

*LC is fully interchangeable sub limit of BG.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of MITCON Consultancy & Engineering Services Limited comfort from its established presence and track record in providing consultancy service across diverse sectors and reputed clientele from both public and private sector. The rating also factors its modest scale of operations and profitability. However, these rating strengths are partially offset by significant increase in financial support extended to subsidiaries, stretched working capital cycle and intense competition from existing players.

Key Rating Sensitivities:

Upward Factor:

- ✓ Increase in the scale of operation despite high competition with total operating income to attain a level of sizeable amount and earning operating profits on sustained basis.
- ✓ Improvement in the collection period and reduction in working capital cycle on sustained basis.



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Downward factor:

- ✓ Deterioration in profitability margin
- ✓ Inability to generate commensurate returns from its investments in various subsidiaries.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established presence and track record in providing consultancy services across diverse sectors

With experienced and well qualified management, MITCON has gained proficiency in providing corporate solutions in Power Generation, Energy Efficiency, Renewable Energy, Ethanol, Distillery, Climate change and Environment Management Sector. Over the years, MITCON has diversified into providing services to Banking, Infrastructure, Textile and Biotechnology Sectors. The company's diversification into the engineering, procurement and construction (EPC) space for solar projects have helped diversify its revenue base, as the EPC for the projects was carried out by MITCON.

Reputed clients from both public and private sector

MITCON has provided consultancy services to various projects from diverse sectors. Its clientele includes reputed customers both from the public and private sectors. The company is empanelled with Maharashtra Electricity Regulatory Commission (MERC) as Technical Consultant for Energy Efficiency and Evaluation of Capex DPR. MITCON has signed MOU with "TOPAAZ intercom private limited" to undertake different projects to work in symbiosis and expand business activities of Chhattisgarh, India. MITCON has also become an Approved Training Partner of National Skill Development Corporation (NSDC). It has also empanelled with REC Power Distribution Company Ltd as "Owner's Engineer for Solar PV Plants. MITCON is empanelled with "BANK OF INDIA" for LIE services. MITCON has been empanelled with Punjab National bank as a outside Consultant for the preparation of Techno- Economic Viability Report for all sectors. MITCON Consultancy & Engineering Services Ltd." has been empanelled with Indian Banks' Association (IBA) as an Agency for Specialised Monitoring



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(ASM). These recent empanelment and recent acquisition of M/s. Shrikhande Consultants Pvt Ltd. will increase the spectrum of consultancy activities of MITCON.

Modest scale of operation and profitability

The total operating income has increased from Rs. 35.74 Cr. in FY19 to Rs. 60.88 cr. in FY20. The reason for growth in revenue is a result of increase in operating income from Wind/Solar power generation, which is subject to seasonal variations, from Rs. 1.77 Cr. in FY19 to Rs. 11.91 Cr. in FY20. The revenue from consultancy fees has also shown an increase from Rs. 1.76 Cr. in FY19 to Rs. 2.67 Cr. in FY20. The EBITDA has shown a substantial improvement from Rs. 0.77 Cr. in FY19 to Rs. 13.83 Cr. in FY20. However, the finance cost has increased significantly on consolidated basis from Rs. 0.40 Cr. in FY19 to Rs. 8.14 Cr. in FY20 which results in operating loss of Rs. 0.09 Cr. as against an operating loss of Rs. 1.99 Cr. in FY19. As discussed with management, the company is planning to increase their focus on EPC work in solar power segment in order to overcome the operating losses. The PAT has increased from Rs. 1.47 Cr. in FY19 to Rs. 2.38 Cr. in FY20, which includes non-operating income amounting to Rs. 2.90 Cr.

Key Rating Weaknesses

Significant increase in financial support extended to subsidiaries

MITCON has extended financial support to its subsidiaries in the form of investments in equity and inter corporate loan and advances, mainly to support the solar power projects which are capital intensive in nature. During the year Company has also acquired 51% stakes of M/s. Shrikhande Consultants Pvt Ltd., Mumbai thereby the spectrum of consultancy activities has been increased manifold. MITCON has also provided corporate and financial guarantee to its subsidiaries. Although these investments help diversify its revenue base, commensurate returns and the ability to consistently run the solar projects under desired parameters will be critical for the consolidated financial profile



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Stretched working capital cycle

The working capital cycle is stretched at 141 days owing to high collection period of 200 days in FY20 as against 91 days in FY19 due to delay in receiving payments from government entities, leading to debtor build up. As at 31 Mar 2020, debtors outstanding for more than six months stood at Rs. 8.04 Cr. as against Rs. 6.91 Cr. in FY19. Stretched working capital cycle will put pressure on the liquidity position of the company.

Competition from existing players

Numerous market participants and increasing market entrants with a variety of project deliverables have let organizations with an option to choose the right consulting firm for right prices for a particular project. Smaller and emerging consultancy companies face the challenge of gaining market share. Hence, the consultancy industry has intense competition from various competitors that seek to provide consultancy services.

Analytical Approach: Consolidated

Applicable Criteria:

Rating Methodology for Service Sector Entities

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Adequate liquidity position is characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate free cash and cash equivalent balance of Rs. 4.83 Crore as on March 31, 2020. However, the working capital cycle is stretched at 141 days owing to high collection period of 200 days due to delay in receiving payments from government entities. Further, the current ratio stood comfortable at 2.71 times as on March 31, 2020 (vis-à-vis 2.15 times as on March 31, 2019).

About the Entity

MITCON Consultancy and Engineering Services Private Limited was formed jointly in the year 1982 by various banks, financial institutions and state government development corporations. The company is engaged in providing corporate solutions, consultancy and engineering



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services to various sectors like power generation, energy efficiency, renewable energy, ethanol, distillery, climate change and environmental management. MITCON is headquartered at Pune, Maharashtra and have presence across the country through their regional offices at Mumbai, New Delhi, Ahmedabad, Chennai, Bangalore, Amravati, Nanded and Nagpur.

Financials (Consolidated):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	35.74	60.88
EBITDA	0.77	13.83
PAT	0.11	1.92
Total Debt	45.61	68.47
Tangible Net worth	78.21	91.56
EBITDA Margin (%)	2.15	22.73
PAT Margin (%)	0.27	3.01
Overall Gearing Ratio (x) on Book TNW	0.58	0.75

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Bank Guarantee	Short Term	20.00	IVR A4+ (IVR A Four Plus)	-	-	-
2.	Letter of Credit	Short Term	(20.00)*	IVR A4+ (IVR A Four Plus)			

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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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Short Term Bank Facilities –Bank Guarantee	-	-	-	20.00	IVR A4+ (IVR A Four Plus)
Short Term Bank Facilities -Letter of Credit	-	-	-	(20.00)*	IVR A4+ (IVR A Four Plus)

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