Press Release

Mantena Infrasol Private Limited

March 20, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00 (Including proposed limit of Rs. 17.00 crore)	IVR BBB/Stable (IVR Triple B with Stable outlook)	-	Rating Assigned	Simple
Long Term / Short Term Bank Facilities	100.00 (Including proposed limit of Rs. 80.90 crore)	IVR BBB/Stable/ IVR A3+ (IVR Triple B with Stable Outlook and IVR A Three Plus)	-	Rating Assigned	Simple
Total	**150.00 (Rupees One Hundred Fifty Crore 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

The ratings assigned to the bank facilities of Mantena Infrasol Private Limited (MIPL) derives comfort from its experienced promoter and satisfactory order book reflecting near to medium term revenue visibility. The ratings also consider MIPL's satisfactory business performance marked by growth in scale of operations along with healthy profitability and comfortable financial risk profile marked by satisfactory capital structure and healthy debt coverage indicators. However, these rating strengths are partially offset by MIPL's high working capital intensity, exposure to geographical concentration risk and exposure to project execution risk, susceptibility of operating margin to volatile input prices and tender based nature of business with intense competition in the industry.

The stable outlook reflects that the company will continue to benefit from the experience of its promoters in the civil construction industry and expected stable business performance of the company in the near to medium term driven by its healthy order book position.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and satisfactory progress in existing work orders

- Sustenance of capital structure with improvement in debt protection metrics
- Improvement in the working capital management leading to improvement in GCA days on a sustained basis

Downward Factors

- Dip in the revenue and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1x
- Moderation in liquidity marked by elongation in GCA days

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

  Mr. Srinivas Raju Mantena is the managing director of the company, having vast experience of more than 25 years in the field of civil construction services. Benefits derived from the promoters' experience along with their strong understanding of the construction industry and healthy relationships with customers and suppliers are expected to continue and support the business. The company is also supported by a team of experienced and qualified professionals.

- **Satisfactory order book reflecting near to medium term revenue visibility**

  The company has an unexecuted order book position of ~Rs.7374 crore as on January 31, 2025, representing 6.67x of the total operating income of FY24 which is expected to be executed over the next 12 to 18 months. Satisfactory order book position reflects near to medium term revenue visibility.

- **Satisfactory business performance marked by growth in scale of operations and healthy profitability**

  The total operating income (TOI) of the company witnessed an upward trend in the past three years during FY22(A) - FY24(A) with a CAGR of ~27%. TOI increased by ~79% in FY24 to Rs.1105.41 crore from Rs.614.91 crore in FY23 mainly driven by higher execution of orders on receipt of required clearances and rise in government focus on micro irrigation. The profit margins of the company remained healthy over the years. The operating margin though moderated from 10.10% in FY23 to 9.26% in FY24 due to an increase in construction expenses, mainly payment to sub-contractors continues to remain satisfactory. Further, aided by lower interest payments PAT margin remained healthy at

6.11% in FY24 [6.08% in FY23]. Furthermore, the company achieved a topline of Rs. 910.62 crore as on December 31, 2024.

- **Comfortable financial risk profile marked by satisfactory capital structure and healthy debt coverage indicators**

  The capital structure of the company had remained comfortable over the past three years marked by its comfortable leverage ratio on the back of its healthy net worth base. The tangible net worth of the company stood robust at ~Rs.460 crore as on March 31, 2024. The debt profile of the company mainly comprises working capital bank borrowing leading to a nil debt equity ratio. Furthermore, the overall gearing has remained comfortable at 0.09x as on March 31, 2024, [0.10x as on March 31, 2023]. With increase in overall profitability leading to higher accretion of profit to reserves and decrease in debt level, TOL/TNW also improved and remained comfortable at 0.42x as on March 31, 2024 [0.45x as on March 31, 2023]. Debt protection metrics as indicated by interest coverage ratio has improved from 8.85x in FY23 to 17.67x in FY24 as a result of rise in absolute EBITDA. Further, with improvement in absolute EBITDA and net cash accruals in FY24, Total Debt/EBITDA and Total Debt/NCA have improved to 0.39x and 0.51x respectively as on March 31, 2024, against 0.66x and 0.88x respectively as on March 31, 2023.

Key Rating Weaknesses

- **Exposure to geographical concentration risk and exposure to project execution risk**

  The present order book is majorly skewed towards Madhya Pradesh, Maharashtra and Uttar Pradesh from various government departments indicating a geographical concentration risk. However, the directors of the company have adequate experience in executing civil construction projects across Madhya Pradesh and Uttar Pradesh, which impart comfort to an extent. Out of the total work order book, ~13% of the order are new order which was allocated in September 2024. These orders are in the nascent stage of execution with minimal to no work starting as on January 31, 2025. Moreover, the progress in large portion of order book has remained slow on account of various environmental and technical issues in the past. Earlier, one of the projects in Andaman awarded by National Highways & Infrastructure Development Corporation Limited, was terminated by the authority due to slow progress of works. However, the said termination does not entail any financial liabilities on the company as articulated by the management.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used by the company are pipes, steel, and cement, sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, the presence of escalation clauses (mainly for raw materials) in most contracts protect the margin to an extent.

- **Tender based nature of business with intense competition in the industry**

  The domestic construction sector is highly crowded with the presence of many players with varied statures and capabilities. Further, the company receives work orders through tenders amidst an intense price war. The profit margins of the company may remain under pressure because of this highly competitive nature of industry.

- **High working capital intensity**

  The working capital intensity of the company remained high over the years marked by its high GCA days of over 250 days in FY22 and in FY23. The GCA days though improved to 178 days in FY24 continue to remain elongated. The operating cycle has also improved from 122 days in FY23 to 79 days in FY24 on the back of a reduction in the average collection period. Furthermore, slow progress in many orders has also impacted on the working capital intensity of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company remains adequate as the company is expected to generate adequate gross cash accruals in the range of Rs.88.99 crore - Rs.147.05 crore during FY25-FY27. The company has generated net accruals of Rs. ~76 crore in FY24 against its insignificant debt repayment obligations. Furthermore, the company is having a healthy gearing headroom marked by its comfortable capital structure. However, the average fundbased utilization of the company remained moderate at ~71% during the past 12 months ended in December 2024 indicating moderate liquidity buffer for the company.

About the Company

Incorporated in 2010, Telangana based Mantena Infrasol Private Limited (MIPL) has been promoted by Mr. Srinivas Raju Mantena and Mrs. Surujana Mantena. MIPL started its operation from November 2011 and is engaged in civil construction work focused on EPC project mainly micro irrigation projects, construction contracts and developing physical infrastructure such as irrigation, roads, bridges, dams, earthwork, canals, tunnels, sewage works etc. across the country. Mr. Srinivas Raju Mantena is the managing director of the company having an extensive experience of more than two decades in the construction industry which strengthens the quality and value of engineering and building strong client relationship. Inframan Venture LLP (Group entity of Mantena Group) holds 72.25% of the equity shares in MIPL.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	614.91	1105.41
EBITDA	62.08	102.37
PAT	37.59	67.76
Total Debt	40.84	76.81
Tangible Net Worth	392.09	459.83
EBITDA Margin (%)	10.10	9.26
PAT Margin (%)	6.08	6.11
Overall Gearing Ratio (x)	0.10	0.09
Interest Coverage (x)	8.85	17.67

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			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
1.	Cash Credit	Long Term	33.00	IVR BBB; Stable	-	-	-

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			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
2.	Proposed Cash Credit	Long Term	17.00	IVR BBB; Stable	-	-	-
3.	Bank Guarantee	Long Term/ Short Term	19.10	IVR BBB; Stable / IVR A3+	-	-	-
4.	Proposed BG/LC	Long Term/ Short Term	80.90	IVR BBB; Stable / IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly known as Infomerics Valuation and Rating 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).

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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
Cash Credit	-	-	-	Revolving	33.00	IVR BBB; Stable
Proposed Cash Credit	-	-	-	-	17.00	IVR BBB; Stable
Bank Guarantee	-	-	-	-	19.10	IVR BBB; Stable / IVR A3+
Proposed BG/LC	-	-	-	-	80.90	IVR BBB; Stable / IVR A3+

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Mantena-Infrasol-20mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: 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