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Mitcon Consultancy & Engineering Services Limited

May 01, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities – CC/BG	22.00	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	Re-affirmed & Withdrawn	Simple
Total	22.00 (Twenty Two Crores Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited has withdrawn the outstanding rating assigned to debt facilities of MITCON Consultancy & Engineering Services Limited with immediate effect. The above action has been taken at the request of the company and No Dues Certificate from ICICI Bank dated April 10, 2024, towards withdrawal of rated facilities.

The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

Key Rating Sensitivities: Nil

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



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

Above average profitability margins: The company operates in service industry wherein major expenditure viz. employee and other administrative expenses has been incurred towards initial stage of the projects. Thus, the EBITDA margins has improved marginally from 15.25% in FY22 to 18.98% in FY23 on account of decrease in project cost towards professional fees and consultancy charges etc. However, PAT margin continues to remain stable at 10.50% in FY23. Further, during 6MFY24, on a year-on-year basis, the EBITDA margin have improved and stood at 22.15% against 19.23% in 6MFY23.

Comfortable financial risk profile: The financial risk profile of the company continues to remain same and comfortable, marked by comfortable capital structure and debt coverage



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indicators. The overall gearing of the company stood at 1.19x as on March 31, 2023. Total debt to GCA has deteriorated marginally and stood at 10.41x during FY23 (vis-à-vis 8.14x during FY22) owing to lowered cash accruals. Interest coverage has slightly decreased to 1.69x in FY23 (vis-à-vis 1.96x in FY22) on account of increase in operating profit couple with increase in interest cost).

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. 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.

Modest scale of operations: The total operating income of the company decreased by 20.42% in FY23 and stood at Rs.83.65 crore (vis-à-vis Rs. 106.50 crore in FY22). The decrease is on account of decrease in revenue due to the project Services. The modest scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. Further during 6MFY24 (refers to the period April 01, 2023 to Sep 30, 2023) the company has achieved the total operating income of Rs.65.30 crore (around 71.86% of the projected total income for FY24).

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,



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the consultancy industry has intense competition from various competitors that seek to provide consultancy services.

Working capital intensive nature of operations coupled with high collection period:

The operations of the company are working capital intensive due to tender based and long-term nature of contracts. Receivables (including retention money) stood at Rs 42.89 Crore as on March 23 against Rs. 36.38 Crore as on March 22. The realization of debtors has been relatively slower as the company is into business of consultancy services for infrastructure industry wherein the clients are largely government or PSUs.

Analytical Approach: Consolidated.

MITCON have various wholly owned subsidiaries which operates in same line of business and where MITCON have extended financial support in the form of intercorporate loans, long term loan and advances and corporate and financial guarantees. IVR has considered a consolidated approach for conducting the rating exercise. Details of subsidiaries as provided as per annexure 2.

Applicable Criteria :

[Rating Methodology for Service Sector entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)
[Policy on withdrawal of Rating](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY24-26. The company is expected to earn Gross Cash Accruals (GCA) of Rs.12.87 crores in FY24 as against its repayment obligation of Rs.10.58 crores. Also, the company's current ratio stands at 2.16x. However, the working capital utilization of company stood at ~20.89% during past 12 months ended July 2023.



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About the Company

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 services to various sectors like power generation, energy efficiency, renewable energy, ethanol, distillery, climate change and environmental management. Over the years, MITCON has diversified into providing services to Banking, Infrastructure, Textile and Biotechnology Sectors. MITCON provides to its client's customized solutions, including Pre-investment Services, Pre-Contract Engineering, Post Contract Project Management, Post Commissioning Witnessing, and IT based training courses besides variety of skill based professional training programs. The Company is also undertaking EPC work of solar power projects.

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. Their shareholders include nationalized banks, venture capital funds, financial institutions and state government development corporations. The equity shares of the company were **listed on SME Platform (EMERGE) of National Stock Exchange of India Limited** in the year 2013.

Financials (Consolidated):

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	106.50	83.65
EBITDA	16.24	15.88
PAT	4.43	9.01
Total Debt	88.16	114.68
Tangible Net worth*	84.95	96.76
EBITDA Margin (%)	15.25%	18.98%
PAT Margin (%)	4.11%	10.50%
Overall Gearing Ratio (x)	1.04x	1.19x

**as per Infomerics standards*



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Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	76.97	44.50
EBITDA	5.41	6.52
PAT	2.18	5.80
Total Debt	14.16	16.49
Tangible Net worth*	98.87	104.86
EBITDA Margin (%)	7.02%	14.66%
PAT Margin (%)	2.75%	12.14%
Overall Gearing Ratio (x)	0.14x	0.16x

*as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sl. 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: Dec 08, 2023	Date(s) & Rating(s) assigned in 2022-23 Date: Sept 12, 2022	Date(s) & Rating(s) assigned in 2022-23 Dated : June 02, 2022	Date(s) & Rating(s) assigned in 2021-22
1	Cash Credit	Long Term	6.00	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	-	-
2	Bank Guarantee	Long term	16.00	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus)	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	IVR A4/INC (Pronounced as IVR Single A Four with Issuer Non	-



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				with Stable Outlook)			Co-operating)	

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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.



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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
Long Term Bank Facilities – Cash Credit				6.00	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)
Long Term Bank Facilities – Bank Guarantee				16.00	IVR BB+ /Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis:

Company Name	Ownership
MITCON Sun Power Limited (MSPL)	100.00%
Krishna Windfarms Developers Private Limited (KWPL)	100.00%
MITCON Credentia Trusteeship Services Limited (MTSL)	55.00%
MITCON Advisory Services Private Limited (MASPL)	100.00%
MITCON Envirotech Limited	100.00%
MITCON Solar Alliance Limited (MSAL)	46.56%
MSPL Unit 1 Limited	74.00%
MSPL Unit 2 Pvt. Limited	100.00%



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MSPL Unit 3 Private Limited	100.00%
Shrikhande Consultants Limited	51.00%
MITCON Impact Asset Management Private Limited	100.00%
Mitcon Biofuel & Green Chemistry Private Limited	100.00%
Mitcon Nature Based Solution Limited	50.00%
Mitcon Rooftop Solar Private Limited	100.00%

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Mitcon-Consultancy-01may24.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