



Press Release

Inderjit Mehta Constructions Private Limited

May 10, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	228.04	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities- Proposed	16.96	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Assigned	Simple
Total	245.00	Rupees Two Hundred Forty Five Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB+ with a Stable outlook for the bank loan facilities of Inderjit Mehta Constructions Private Limited (IMCPL).

The rating draws comfort from the established track record of operations and experienced management, demonstrated track record with proven project execution capability reputed clientele comfortable order book position and satisfactory debt protection metrics and financial risk profile. However, these strengths are partially offset by tender based nature of business, working capital intensive nature of operations and susceptibility of operating margin to volatile input prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes IMCPL's will continue to benefit from its operational track record in the business, its reputed clientele and inflow of orders as per the current order book position. The industry outlook is also improving led by the government of India making steady progress in infrastructure growth and development.

IVR has principally relied on the standalone audited financial results of IMCPL upto 31 March 2022, 11MFY23 provisional results and projected financials for FY2023-FY2025, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Substantial improvement in the scale of operations with TOI and EBITDA margins above 12%
- Improvement in debt protection metrics
- Sustenance of the overall gearing
- Healthy order book of above Rs. 1400 crore

Downward Factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing
- Low orders inflow or delay in execution of projects

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
The company commenced its operations in 1993 and has a successful track record of around three decades in the existing line of business. Overall activities of IMCPL are managed by Mr. Inderjit Mehta (Managing Director) who has more than three decades of experience in current line of business. He is ably supported by other three directors namely Ms. Prem Lata Mehta, Mr. Amarjit Mehta and Mr. Akhil Mehta. These directors are ably supported by qualified and well experienced management team. Over the years they have built strong relationships with customers and suppliers.
- **Demonstrated track record with proven project execution capability:**
IMCPL has long track record of more than three decade in EPC segment. Over the years of its operation the company has gradually established its credentials and successfully executed many projects. In order to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (18-36 months) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.
- **Reputed clientele:**
The company is dealing with government and private clients namely, Military Engineering Services, Andhra Pradesh Township and Infrastructure Development Corporation, Chief Engineering, Airforce, AGP City Gas Private Limited, Industrial Infrastructure Development Corporation, Central Public Welfare Department, etc. The company has been associated with most of the key clients for a long time, and the successful execution of the projects has also helped it in getting repeat orders. Due to reputed client profiles, the company has low counterparty credit risk although at times, there can be delays in the realization of some bills.
- **Comfortable order book:**



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The company has a comfortable unexecuted order book position to the tune of about Rs 866.64 crore which is to be executed within 1-2 years, thereby providing a moderate revenue visibility over medium term.

- **Satisfactory debt protection metrics and financial risk profile:**

In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) stood at 3.12x and 1.23x in FY2022. The tangible networth improved to Rs. 132.08 crore in FY2022 from Rs. 120.92 crore in FY2021. The overall gearing stood comfortable at 0.37x in FY2022. The total operating income (TOI) marginally improved by ~21.26% to Rs. 287.83 crore in FY2022 from Rs. 237.36 crore in FY2021. In 11MFY23 the company has achieved TOI of Rs. ~507.01 crore.

Key Rating Weaknesses

- **Tender based nature of business:**

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution etc.

- **Working capital intensive nature of operations:**

IMCPL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilisation of non-fund based working capital limits of the company stood high around ~85% respectively during the last 10 months ending 31st March 2023.

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

The company's operating margins are susceptible to volatility in prices of raw materials, although the same risk has been mitigated to some extent with the presence of price escalation clause.

Analytical Approach: For arriving at the ratings, IVR has analysed IMCPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)



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

[Criteria for Assigning Rating Outlook](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 40.06 crore, as on 31 March 2022. Against a current portion of long-term debt (CPLTD) of Rs 15.48 crore in FY2022, the company had a cash accrual of Rs. 21.16 crore in FY2022. The company projected to generate cash accruals of Rs. 49.55 crore in FY2023 against a CPLTD of Rs. 17.66 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Entity

Inderjit Mehta Constructions Private Limited (IMCPL), incorporated in December 1993 as private limited company in Chandigarh, Punjab under the leadership of Mr. Inderjit Mehta who has more than 5 decades of experience in construction line or infrastructure projects. The company is engaged in civil construction work related to industrial/commercial projects, residential projects and gas pipeline work. The company is “Super Special Class” registered contractors with Military Engineer Services (MES) which gives unlimited tendering capability. It is also registered as ‘CIV - IV’ contractor for Defence Research and Development Organization (DRDO) and ‘Class-I’ civil contractor for Central Public Welfare Department (CPWD).

Financials (Standalone):

(Rs. crore)		
For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	237.36	287.83
EBITDA	22.01	33.69
PAT	10.20	12.03
Total Debt	51.28	48.48
Tangible Networkth	120.92	132.08
EBITDA Margin (%)	9.27	11.70
PAT Margin (%)	4.26	4.16
Overall Gearing Ratio (x)	0.42	0.37

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	52.04	IVR BBB+/Stable (Assigned)	-	-	-
2.	Non-Fund Based	Long Term	176.00	IVR BBB+/Stable (Assigned)			
3.	Non-Fund Based-Proposed	Long Term	16.96	IVR BBB+/Stable (Assigned)			

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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 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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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
Term Loan (GECL)	-	-	Nov 2027	7.45	IVR BBB+/Stable
Term Loan (GECL)	-	-	Mar 2028	5.59	IVR BBB+/Stable
Cash Credit	-	-	-	25.00	IVR BBB+/Stable
Cash Credit	-	-	-	14.00	IVR BBB+/Stable
Bank Guarantee*	-	-	-	176.00	IVR BBB+/Stable
Proposed-BG	-	-	-	16.96	IVR BBB+/Stable

*BG Tenor is more than 1 year

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-InderjitMehta-may23.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 [Complexity Level of Rated Instruments/Facilities](#).