



Press Release

MFAR Constructions Private Limited (MCPL)

March 11, 2022

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1	Long Term Fund Based Facilities – Cash Credit	72.00	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Revised & Assigned with Positive Outlook ; Removed from ISSUER NOT COOPERATING category	Simple
2	Long Term Non-Fund Based Facilities- Bank Guarantee	41.00	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Revised & Assigned with Positive Outlook ; Removed from ISSUER NOT COOPERATING category	Simple
3	Short term Non-Fund Based Facilities – Bank Guarantee/Letter of Credit	83.00	IVR A3+ (IVR A Three Plus)	Revised; Removed from ISSUER NOT COOPERATING category	Simple
4	Short term Non-Fund Based Facilities – (Proposed) Bank Guarantee	20.00	IVR A3+ (IVR A Three Plus)	Revised; Removed from ISSUER NOT COOPERATING category	Simple
	Total	216.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING as the company had not submitted all the required information for surveillance under the stipulated timelines.



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Subsequently, the company has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category.

The revision in the ratings assigned to the bank facilities of MFAR Constructions Private Limited reflects overall stability in the operational & financial parameters in FY21 and improvement in 9MFY22 performance.

The positive outlook assigned to the company reflects expected further improvement in revenue and continuation of healthy debt protection metrics in FY22, based on healthy unexecuted order book of the company.

Further the ratings continue to derive strength from its experienced promoter, promoter support , reputed clientele base , renowned presence and proven project execution capability, order book reflecting satisfactory medium to long -term revenue visibility, stable albeit improving scale of operation, comfortable gearing and debt coverage indicators. However, the rating strengths are partially offset by highly fragmented & competitive nature of the construction sector along with any adverse impact on the real estate sector, and working capital intensive nature of operation.

Key Rating Sensitivities:

- **Upward Factor**

- A sustained improvement in the revenue while maintaining the profitability and debt protection metrics.
- Reduction in concentration risks

- **Downward Factor**

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing

Key Rating Drivers with detailed description

Key Rating Strengths



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Experienced Promoter

The founder, Dr. P. Mohamed Ali has extensive experience in infrastructure and construction industry. He co-founded GALFAR Engineering and Contracting in 1972 in Oman. Thereafter, the company went on becoming one of the largest private sector company of Oman with EPC capability in oil and gas, roads and bridges, civil and maritime infrastructure and utilities. Mr. Ali is supported by an experienced and qualified Board of Directors and management team.

Promoter Support

The company has comfortable capital structure, MCPL has a nominal amount of long term debt and the debt profile of the company primarily consists of working capital borrowings in the form of long term borrowings (Cash Credit) and short term borrowings (BG and LC). The promoters have continuously supported the operations of the company by infusing funds in the form of equity, the equity share capital has increased gradually to INR24.08 Crore in FY21 from INR17.82 Crore in FY16.

Reputed Clientele

MFAR group has a well-established clientele with whom it has successfully formulated a mutually enriching relationship and have acquired repeated orders over the years. Reputed firms like Brigade Enterprise, Century Real Estate, Godrej group etc. are associated with MCPL.

Renowned presence and proven project execution capability

Over the past years, MCPL has successfully completed many projects across Karnataka, Tamil Nadu, Kerala, Delhi, West Bengal, Jharkhand, Uttar Pradesh, etc. and ensured timely completion of majority of its projects. The repeat orders received from its clientele validate its construction capabilities. The company has renowned brand presence in the state of Kerala and Karnataka.

Order book reflecting satisfactory medium to long -term revenue visibility

The company has an unexecuted order book of ~1234 INR Crore as on January 1, 2022 which is about 3.63 times of its FY22 revenue (i.e. INR340 Crore). The orders are expected



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to be completed over next three years, indicating a satisfactory near to medium term revenue visibility.

Stable albeit improving scale of operation

Total operating income increased from INR300.57 crore in FY19 to INR.323.49 in FY20 registering a y-o-y growth of ~7%, however the same got impacted in FY21 standing at INR284.81 Crore due to global pandemic hit where the construction activities were impacted. However, during 9MFY22, the company has registered around 19% growth in revenue while comparing to 9 months revenue of FY21 (9MFY22: INR240.72 Crore and 9MFY21: INR201.57 Crore) driven by increase in flow of orders and higher execution of the same.

Comfortable gearing and debt coverage indicators

The overall gearing of the company has been comfortable as on account closing days of last three years. Long term debt-equity ratio stood Nil as on March 31st 2021 with an interest coverage ratio of 2.79x for the same period along with TOL/TNW of 1.67x.

Key Rating Weaknesses

Highly fragmented & competitive nature of the construction sector and adverse impact on real estate market.

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of concern as it can dent the profitability. However, the promoters has long industry presence imparts comfort. Further, any adverse demand supply chain in the real estate sector of the Bangalore market wherein major projects are in concentrated may impact the financials of the company and which remains key monitorable factor.

Working capital intensive nature of operation

The operating cycle of the company stood at 173 days in FY21(FY20: 150 days) thus indicating working capital intensive operations where much of the company cash is locked-



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up in inventory and with the customers mainly due to covid related disruptions. The average inventory days of the company stood at 240 days in FY21(FY20: 202 days)

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity: Adequate

The company has gross cash accrual of INR15.63 Crore in FY21 and consist of nominal amount of long term debt repayment obligation amounting to INR0.69 Crore as on March 31, 2021. Further, the liquidity position of the company appears to be comfortable in the projected period with gradually increasing gross cash accruals y-o-y basis and in absence of any long term debt repayment obligations. The company's working capital utilization stood moderate at around ~71 % over the last 12 months ended on January 31, 2022. The current ratio and quick ratio of the company stands at 1.69x and 0.98x respectively as on March 31, 2021. The cash & bank balance stood at INR21.45 Crore as on March 31, 2021 (along with fixed deposits amounting to INR0.38 Crore with the banks)

About the Company

MFAR Construction Pvt Ltd, incorporated in 1997, is engaged in construction of residential and commercial properties. It undertakes diverse construction contracts which includes IT parks, malls, industrial infra, high-rise residential projects etc. The company has completed various projects in different regions of the country that includes Bangalore, Kolkata, Assam, Chennai, Goa, NCR etc. Going forward the management is keen on Venturing into civil construction projects like roads, and other EPC projects.

Financials: Standalone

(Rs. Crore)

For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Operating income	323.49	284.81
EBITDA	34.94	32.28



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PAT	2.76	5.44
Total Debt	73.52	67.06
Tangible Net-worth	174.31	179.76
Ratios (%)		
EBITDA Margin (%)	10.80	11.34
PAT Margin (%)	0.85	1.91
Overall Gearing Ratio (x)	0.42	0.37

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Acuite, CRISIL, ICRA Ratings has continued the rating of MFAR Constructions Private Limited into the Issuer Non-Cooperating (INC) category as per the Press Releases dated February 16, 2022; May 13, 2021 and May 27, 2021 respectively.

Any other information: None

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (February 11, 2022)	Date(s) & Rating(s) assigned in 2020-21 (November 12, 2020)	Date(s) & Rating(s) assigned in 2019-20 (September 4, 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facilities – Cash Credit	Long Term	72.00	IVR BBB/ Positive	IVR BB+; ISSUER NOT COOPERATING	IVR BBB/ Positive	IVR BBB/ Stable	--
2.	Long Term Non Fund Based Facilities- Bank Guarantee	Long Term	41.00	IVR BBB/ Positive	IVR BB+; ISSUER NOT COOPERATING	IVR BBB/ Positive	IVR BBB/ Stable	--
3.	Short term Non Fund Based Facilities – Bank Guarantee/Letter of Credit	Short Term	83.00	IVR A3+	IVR A4+; ISSUER NOT COOPERATING	IVR A3+	IVR A3+	--



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4.	Short term Non Fund Based Facilities – (Proposed) Bank Guarantee	Short Term	20.00	IVR A3+	IVR A4+; ISSUER NOT COOPERATING	IVR A3+	IVR A3+	--
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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. 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: Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Long Term Fund Based Facilities – Cash Credit	--	--	--	72.00	IVR BBB/ Positive
Long Term Non-Fund Based Facilities- Bank Guarantee	--	--	--	41.00	IVR BBB/ Positive
Short term Non-Fund Based Facilities – Bank Guarantee/Letter of Credit	--	--	--	83.00	IVR A3+
Short term Non-Fund Based Facilities – (Proposed) Bank Guarantee	--	--	--	20.00	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/MFAR-Constructions-lenders-mar22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.