



Press Release

M S V Constructions Company

March 22, 2023

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.36	IVR B+; Stable (IVR Single B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	25.64	IVR A4 (IVR A four)	Assigned	Simple
Total	40.00 (INR Forty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of M S V Constructions Company (MSV) derives comfort from experienced partners with long operational track record, reputed clientele with low counter party risk and healthy order book reflecting satisfactory revenue visibility. However, these rating strengths remain constrained due to its small scale of operations, risk of capital withdrawal associated with partnership nature of the firm, exposure to project execution & geographical concentration risk and tender driven nature of business in highly fragmented & competitive infrastructure sector. Further, the ratings also note past instances of delay in debt servicing.

Key Rating Sensitivities:

Upward factors

- Sustained improvement in scale of operations with improvement in profit margins.
- Improvement in the capital structure with improvement in overall gearing to below 2.5x and improvement in debt protection metrics.
- Improvement in liquidity position with improvement in operating cycle.

Downward Factors

- Moderation in the in scale of operation and/or profitability on a sustained basis.
- Deterioration in working capital cycle impacting the liquidity profile of the company.
- Improvement in capital structure with improvement in overall gearing ratio.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



Press Release

- **Experienced partners with long operational track record**

MSV has a long track long of around three decades in the infrastructure industry. Further, the partners are also well experienced in the industry.

- **Reputed clientele with low counter party risk**

MSV undertakes civil construction work mainly for several govt. departments. Hence, the counter party risk appears low.

- **Healthy order book reflecting satisfactory revenue visibility**

As on January 2023, MSV has an unexecuted order book of about ~Rs.109 crore which is to be executed in next 1-2 years indicating a healthy revenue visibility.

Key Rating Weaknesses:

- **Capital withdrawal risk associated with partnership nature of the firm**

MSV is exposed to the risks arising out of the partnership nature of the firm, such as withdrawal of capital, evident from the past three years and limited ability to raise capital.

- **Small scale of operation**

The firm's small scale of operations, as reflected by its total operating income of ~Rs.22 crore in FY22. Small scale of its operations restricts economies of scale of the entity. Further, the intense competition in the operating scenario restricts its pricing flexibility and exerts pressure on margins. However, Infomerics expects growth in its scale of operation in the near term. In 10MFY23, the firm has achieved a revenue of ~Rs.85 crore.

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

The present order book is skewed towards Karnataka alone, thereby enhancing the geographic concentration risk to an extent. The majority of orders of the firm are in its initial stage thereby the firm is also exposed to project execution risk to an extent.

- **Instances of past delay**

There have been instances of delayed debt servicing and instance of BG invocation by the entity in the past. However, the firm is regular in its debt servicing in the past three months ended in February, 2023.

- **Tender driven nature of business in highly fragmented & competitive operating scenario**



Press Release

MSV's business is dependent on the firm's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. This restricts MSV's flexibility to drive profitability.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Criteria of assigning rating outlook](#)

Liquidity: Stretched

The liquidity profile of MSV constructions is stretched due to its working capital-intensive nature of operation. Further, the fund-based & non-fund-based limits remain more than 90% utilized, thereby leaving ilow liquidity cushion.

About the Firm

Karnataka based MSV Constructions Company, was established in 1990 by Mr. M S Venkatesh, as a sole proprietorship concern engaged in civil construction works, mainly road works for government departments like public works department. It was reconstituted as a partnership firm in October 2020. It is registered as a Class IA contractor with Bruhath Bangaluru Mahanagara Palike (BBMP) & gets orders based on tender participation.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	6.39	22.65
EBITDA	1.67	2.84
PAT	0.39	0.90
Total Debt	15.22	24.08
Tangible Net worth	5.70	10.34
EBITDA Margin (%)	26.17	12.53
PAT Margin (%)	6.07	3.94
Overall Gearing Ratio (x)	2.67	2.33
Interest Coverage Ratio (x)	2.67	2.00

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable



Press Release

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	SOD	Long Term	10.94	IVR B+; Stable	-	-	-
2.	Term Loan	Long Term	3.42	IVR B+; Stable	-	-	-
3.	Bank Guarantee	Short Term	12.51	IVR A4	-	-	-
4.	Bank Guarantee (Proposed)	Short Term	13.13	IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Prateek Das Tel: (033) 46022266 Email: prateek.das@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics Ratings:

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

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



Press Release

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. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – SOD	-	-	-	10.94	IVR B+; Stable
Long Term Fund Based Limits – Term Loan	-	-	FY27	3.42	IVR B+; Stable
Short Term Non-Fund Based Limits – BG	-	-	-	12.51	IVR A4
Short Term Non-Fund Based Limits – BG (Proposed)	-	-	-	13.13	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-MSVConstructions-mar23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.