



## Press Release

**M.T. Patil Builders & Contractors Private Limited**

**November 25, 2022**

### Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	<b>10.94</b> (Enhanced from Rs. 10.40 crore)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities	<b>15.00</b> (Reduced from Rs. 16.50 Crore)	IVR A4+ (IVR A Four Plus)	Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>25.94</b> (Rupees Twenty-Five Crore and Ninety-Four Lakhs)			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating reaffirmed to the bank facilities of MT Builders & Contractors Private Limited continues to derives comfort from Experienced Promoters in infrastructure sector, Healthy Order book, Moderate financial risk profile. The rating is however constrained by Geographical concentration risk, Exposure to competitive segment and Inherent risk in nature of business, Working capital intensive nature of operations.

### Key Rating Sensitivities:

#### Upward Factors

- Increase in order book and timely execution of the same
- Substantial and sustained growth in operating income and improvement in profitability.



## Press Release

### **Downward Factors**

- Decline in operating income and profitability.
- Substantial decline in execution of work orders.

### **List of Key Rating Drivers with Detailed Description**

#### **Experienced Promoters in infrastructure sector**

M. T. Patil Builders & Contractors Private Limited is a Nashik based Infrastructure Company promoted by Mr. Avinash Patil and Mr. Ranjit Patil who are second generation in its business and have over three decades of experience in the infrastructure industry. The company is well supported by second line of management. The extensive experience of the promoters and established presence in the said industry has helped to maintain regular flow of orders.

#### **Healthy Order book**

The company has an unexecuted order book position Rs. 139 Crore, thereby, giving medium term revenue visibility. However, the same is concentrated towards contracts from state government departments. Going forward, materialization of the bided contracts and win of new contracts will be crucial for the company.

#### **Moderate financial risk profile**

The Total Operating income experienced a decline from Rs. 65.92 crore in FY21 to Rs. 53.62 Crore in FY22 which was due to decline in execution of work orders due to deferment of work orders from various government department in the wake of Covid-19 pandemic coupled with slower execution of order book. Due to decline in scale of operation company's absolute EBITDA decreased from INR. 11.55 crore in FY21 to INR. 6.25 crore in FY22. The PAT margin has deteriorated to 6.73% in FY22 against in FY21 13.97% due to increase in finance charges. The company's GCA stood at Rs. 4.35 Crore and TOL/TNW stood at 0.57x. The debt protection indicators of the company like interest coverage are healthy at 7.89x and DSCR of 6.34 times in in FY22.



## Press Release

### **Key Rating Weaknesses:**

#### **Geographical concentration risk**

With all the projects that are now being worked on, primarily in the areas of Nashik and Ahmednagar in the state of Maharashtra. A geographical and sectoral concentration risk is indicated by the current order book, which is skewed toward road construction and maintenance work in the aforementioned locations from various government departments.

#### **Exposure to competitive segment and Inherent risk in nature of business**

Intense rivalry, a large number of participants, and low entry barriers are characteristics of the industry. For government agencies, the corporation builds roads as part of its operations. Additionally, the fierce competition in this market may lead to aggressive project bidding, which would affect the company's profit margins. The primary business risks faced by the corporation in the sector include economic fragility, regulatory risks in developing markets, delays in government payments, project execution risk, and variable input costs.

#### **Working capital intensive nature of operations**

Construction business, by its nature, remains working capital intensive as, a large part of working capital remained blocked in retention money or in the form of fixed deposits as margin against required bank guarantees. To support the working capital requirement, the company is mainly relying on working capital facilities and high credit period availed from its input suppliers. The operating cycle of the company stood at -48 days due to higher creditor days of 78 days in FY22 (FY21: 34 days). Collection period stood at 8 days as on 31 March 2022 (FY21: 10 days). Inventory Period stood at 21 days as on 31 March 2022 (FY21: 17 days).

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

[Rating Methodology for Infrastructure companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)



## Press Release

### **Liquidity –Adequate**

The liquidity position of the company is expected to remain adequate characterized by sufficient cushion in its gross cash accruals of Rs. 4.35 Cr. The current and quick ratios remained adequate at 2.64x and 2.43x respectively as on March 31, 2022. The average fund based working capital utilization of the company remained moderate at ~70% for the past 12 months period ended September 2022 indicating moderate liquidity cushion. However, the company's free cash and bank balance have been low at Rs. 0.35 Crore as of March 2022.

### **About the Company:**

The company is into diverse market segments, specializing in construction of roads, buildings, bridges, dam and irrigation projects. The company provides services to its clients like Bituminous testing, natural stone testing concrete testing and soil testing. The company mostly focuses on undertaking the government contracts for construction of new roads & repairing of the existing roads (bituminous & concrete roads) for the various departments of Maharashtra like PWD Nashik Division, NHAI road construction division, Nashik Municipal Construction, PMGSY, PWD Amalner, PWD Nagar etc along with many private contracts.

### **Financials (Standalone):**

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	65.92	53.62
EBITDA	11.55	6.25
PAT	9.29	3.63
Total Debt	2.16	7.34
Tangible Net Worth	41.14	44.78
EBITDA margin (%)	17.52	11.65
PAT margin (%)	13.97	6.73
Overall Gearing Ratio (times)	0.05	0.16

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None



## Press Release

### Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned on October 14, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Working Capital Term Loan	Long Term	1.64	IVR BB+/Stable	IVR BB+/Stable	--	--
2.	GECL	Long Term	0.80	IVR BB+/Stable	IVR BB+/Stable	--	--
3.	Cash Credit	Long Term	8.50	IVR BB+/Stable	IVR BB+/Stable	--	--
4.	Overdraft	Short Term	1.50	IVR A4+	IVR A4+	--	--
5.	Bank Guarantee	Short Term	13.50	IVR A4+	IVR A4+	--	--

### Name and Contact Details of the Rating Analyst:

Name: Sejal Patil Tel: (022) 62396023 Email: <a href="mailto:sejal.patil@infomerics.com">sejal.patil@infomerics.com</a>	Name: Prakash Kabra Tel: (022) 62396023 Email: <a href="mailto:prakash.kabra@infomerics.com">prakash.kabra@infomerics.com</a>
---	---



## Press Release

### 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](http://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, suspend 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.





## Press Release

### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Working Capital Term Loan	--	--	March- 2025	1.64	IVR BB+/ Stable
GECL	--	--	July- 2027	0.80	IVR BB+/ Stable
Cash Credit	--	--	Revolving	8.50	IVR BB+/ Stable
Overdraft	--	--	Revolving	1.50	IVR A4+
Bank Guarantee	--	--	--	13.50	IVR A4+

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-MT-Builders-nov22.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](http://www.infomerics.com)