M.T. Patil Builders and Contractors Private Limited (MTPB)

January 24, 2024

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	10.20	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	15.00	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	**25.20**	**(Rupees Twenty-Five crore and Twenty lakh only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the ratings assigned to the bank facilities of MTPB and continue to derive strength from improved revenue growth with margins, healthy order book position, comfortable capital structure and experienced promoters in infrastructure companies. The ratings strengths are, however, constrained by geographical concentration risk and exposure to competitive segment and inherent risk in nature of business.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in order book and/or improvement in revenue and profitability while maintaining the current credit profile

Downward Factors

- Any declined in order book and/or deterioration in revenue and profitability leading to deterioration in credit profile.
- Deterioration in working capital cycle leading to deterioration in liquidity and/or any further support to any group company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Sustained revenue growth with stable margins

MTPB's revenue has improved by 24% to Rs. 65.96 crore in FY23 (from Rs. 53.16 crore in FY22) driven by timely execution of orders. MTPB has achieved revenue of Rs. 48.90 crore as per 9MFY24 financials with steady execution of orders.

Further, EBITDA margin has remained in the range of 10.91%-10.84% in FY22-FY23 due to lower stable input costs and operating costs and further, EBITDA margins were at 9.76% for 9MFY24. EBITDA margins are likely to remain at the similar levels of FY23 in next three years.

Moderate Orderbook position

As on 30th November 2023, MTPB has moderate order book of Rs. 81.76 crore (1.24x FY23 revenue) which provides medium term revenue visibility. Order book mainly consists of orders from Central government and State government.

Comfortable capital structure

MTPB's capital structure remained comfortable in FY23 with overall gearing and TOL/TNW ratios at 0.13x and 0.42x respectively (FY22: 0.16x and 0.56x) Though, EBITDA interest coverage ratio declined in FY23 but remained comfortable to 6.84x with higher interest cost as compared to 7.33x in FY22

Experienced Promoters in infrastructure sector

MTPB 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 extensive experience of the promoters and established presence in the said industry has helped to maintain regular flow of orders.

Key Rating Weaknesses

Geographical concentration risk

MTPB is exposed to geographical concentration risk reflected by majority of the orders are from State of Maharashtra. Majority of the orders are towards construction and maintenance of roads.

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.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of Rating Outlook

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to adequately match with debt repayment obligations. The average fund based and non-fund based working capital utilisation for 12 months ending December, 2023 has been 83.11% and 6.98% respectively. The current ratio and quick ratio stood at 3.62x and 3.04x respectively, as on March 31, 2023. Further, MTPB has no capex plans till FY26.

About the Company

MTPB is into diverse market segments, specializing in construction of roads. 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):

(Rs. crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	53.16	65.96
EBITDA	5.80	7.15
PAT	3.64	5.14
Total Debt	7.34	6.63
Tangible Net-Worth	44.77	49.96
Ratios		
EBITDA Margin (%)	10.91	10.84
PAT Margin (%)	6.74	7.64
Overall Gearing Ratio (x)	0.16	0.13

***** Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 25, 2022)	Date(s) & Rating(s) assigned in 2021-22 (October 14, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Working Capital Term Loan - ECLGS	Long Term	0.90	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	--
2.	GECL	Long Term	0.80	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	--
3.	Cash Credit	Long Term	8.50	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	--
4.	Overdraft	Short Term	1.50	IVR A4+	IVR A4+	IVR A4+	--
5.	Bank Guarantee	Short Term	13.50	IVR A4+	IVR A4+	IVR A4+	--

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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.

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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 - ECLGS	--	--	March, 2025	0.90	IVR BB+/ Stable
GECL	--	--	July, 2027	0.80	IVR BB+/ Stable
Cash Credit	--	--	--	8.50	IVR BB+/ Stable
Overdraft	--	--	--	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-MTPatil-jan24.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.