



## Press Release

**Manipal Energy & Infratech Limited (“MEIL”)**

**July 3, 2024**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loan	4.49	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	Assigned	Simple
Long Term Fund Based Bank Facilities – WCDL	15.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	15.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	Assigned	Simple
Short Term Non-Fund Based Bank Facility – Bank Guarantee	20.00	IVR A3 (IVR A Three)	--	Assigned	Simple
Long Term Fund Based Bank Facilities – WCTL	1.21	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – GECL	0.16	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit	15.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facility – Letter of Credit	25.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>95.86</b>	<b>(Rupees Ninety-Five crore and Eighty-Six Lacs only)</b>			

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**



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### **Detailed Rationale-**

Infomerics ratings has reaffirmed its ratings assigned to the bank facilities of Manipal Energy & Infratech Limited ("MEIL"). The ratings continue to derive comfort from extensive experience of promoters together with qualified and experienced management team, proven project execution capabilities, healthy order book reflecting satisfactory revenue visibility, healthy revenue growth & profitability margins. The ratings are however constrained on account of moderate capital structure and debt coverage indicators, working capital intensive operations, tender driven nature of its business in highly fragmented & competitive EPC Industry.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial & sustained improvement in revenue and/or profitability and cash accruals on a sustained basis.
- Improvement in the capital structure and debt protection metrics
- Improvement in Working Capital Cycle

#### **Downward Factors**

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Deterioration in liquidity profile of the company
- Stretch in the working capital cycle negatively impacting liquidity position of the company.

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

#### **Key Rating Strengths**

- **Extensive experience of promoters and management team**

The promoter Mr. T Gautam Pai and Ms. Sandhya S. Pai have an experience of over decade in the infrastructure and construction industry and have strong understanding of the market dynamics which has helped them to establish good business relationships. The promoters are supported by an experienced and qualified pool of management at the Board and senior management level. The extensive experience of the promoter and emerging presence of the company in the said industries have helped the company to



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maintain regular flow of orders.

- **Proven project execution capability**

Over the past many years, the company has successfully completed and delivered many civil and electrical works projects in Karnataka and ensured timely completion of all its projects. The repeat orders received from its clientele validate its execution capabilities.

- **Healthy order book indicating near term revenue visibility**

MEIL has an unexecuted order book of Rs. 341.31 crore as on May 31, 2024 which is 1.90x of FY2024 revenue (i.e. Rs. 179.39 crore refers to period from April 1, 2023 to March 31, 2024) indicating revenue visibility in the near to medium term. Mainly the orders pertain to the government departments. The company plans to execute approximately more than 70% of the unexecuted orders by end of FY25 accompanied by bidding for new projects. Successful execution of the projects has also helped the company in getting repeat and large-sized orders from government entities.

- **Healthy Revenue growth and profitability margins**

The operating Income of the company grew by ~61% to Rs. 179.00 crore for FY24 (Prov.) on the back of increase in order book and timely execution of high value projects across its electrical and civil business unit. The EBIDTA and PAT of the company also registered a robust growth of ~73% and 144% respectively for FY2024 (Prov.). EBIDTA margin of the company increased to 9.11% for FY2024 (Prov.) from 8.50% for FY2023 whereas PAT margin stood at 3.54% for FY2024 (Prov.) from 2.34% in FY2023.

### Key Rating Weaknesses

- **Moderate capital structure and debt coverage indicators**

MEIL's capital structure is leveraged marked by parameters like Total Outside Liabilities to Adjusted Tangible Net worth (TOL/ATNW) and overall gearing ratio. TOL/ATNW remained high at 3.36x as on March 31, 2024 (Prov.) as against 2.16x as on March 31, 2023 on account of increase in bank borrowings. The overall gearing ratio on adjusted Tangible Net-worth has increased, however continued to remain comfortable at 0.79x as on March 31, 2024. The debt protection metrics marked by Interest Coverage ratio, DSCR



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and Total Debt to Net Cash Accruals (NCA) remained modest. As on March 31, 2024 (Prov.), total debt to NCA improved to 5.86x from 8.48x however remained at higher level. The DSCR and ISCR stood at 1.59x and 2.00x respectively as on March 31, 2024 (Prov.).

- **Tender driven nature of business in highly fragmented & competitive EPC Industry**

The domestic electrical infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities which limits the pricing power of the companies affecting their pricing power. Further, the company receives its work orders from regional electricity boards through tenders floated by them. The entry barriers in the industry are low on account of limited capital and technology requirements and low differentiation in the end product.

- **Working Capital Intensive Operations**

The company's operations are working capital intensive in nature as reflected by its Operating cycle days of around 90 days as on March 31, 2024 (Prov.). The average collection period remains high at 239 days in as on March 31, 2024 (Prov.) however improved from 332 days as on March 31, 2023. The receivable cycle remains high on account of elongated payment cycle due to retention money in the EPC division. The average creditor period stood to 198 days as on March 31, 2024 (Prov.) from 220 days as on March 31, 2023. The company usually records majority of its revenue in the last quarter of fiscal year, which also results in higher outstanding debtors and elongated debtors days. This has led to higher reliance on working capital borrowings and its utilisation level were at an average of ~75% for 12 months ended May 2024.

**Analytical Approach:** Standalone Approach

During the last year rating exercise IVR had considered parent and group support criteria to arrive at MEIL's rating, however since the parent company's (MMNL) rating stands withdrawn as on June 2024, in the current analysis IVR is not factoring parent support in rating.



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### Applicable Criteria:

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### Liquidity – Adequate

Liquidity profile of MEIL appears to be adequate with the current ratio of 1.27x and Quick ratio of 1.09x as on March 31, 2024. The company is earning a comfortable level of Net Cash Accruals (NCA) which stood at Rs. 6.61 crore as on March 31, FY2024 (Prov.) and the same is expected to improve during the projected period with increase in scale of operations. The NCA is expected to be in the range of ~Rs. 10 crore to Rs. 24 crore during the projected period which is adequate to meet the repayment obligations. The company has cash & bank balance of Rs. 12.25 crore as on March 31, 2024 (Prov.). The average working capital utilization level stood at ~75% during last twelve months ended May 31, 2024 indicating moderate liquidity.

### About the Company

Manipal Energy and Infratech Limited a 100% subsidiary of Manipal Media Network Limited, was established in the year 2011 by Mr. T. Gautam Pai. The company focusses on providing Engineering, Procurement & Construction (EPC) services to government and private organisations. Its capabilities in general are into erection of equipment's, electrical infrastructure including substations and Low voltage distribution lines to 110kV transmission lines etc. The company undertakes projects involving erection, installation, commissioning, and maintenance of power lines, trading in fabricated electrical components, and executing infrastructure projects in Karnataka. The company has extensive Operation & Maintenance (O&M) experience in peripheral lighting system, Electrical wiring systems. Majority of the company's work is in Karnataka and are now expanding into the states of Goa, Odisha and Chhattisgarh.





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### Financials (Standalone)\*:

(Rs. Crore)

For the year ended / As on	31-Mar-2023 (Audited)	31-Mar-2024 (Provisional)
Total Operating Income	111.25	179.39
EBITDA	9.46	16.34
PAT	2.61	6.38
Total Debt	24.00	38.75
Tangible Net Worth	42.69	49.10
EBITDA Margin (%)	8.50	9.11
PAT Margin (%)	2.34	3.54
Overall Gearing Ratio (x)	0.56	0.79

\* Classification as per Infomerics standards.

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

**Any other information: None**

### Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Fund based bank facility - Term Loan	Long Term	4.49	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	--	--
2	Fund based bank facilities – Cash Credit	Long Term	30.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	--
3	Fund based bank facilities – WCDL	Long Term	15.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	--	--	--
4	Fund based bank facilities – WCTL	Long Term	1.21	IVR BBB-/Stable (IVR Triple B minus with	IVR BBB-/Stable (IVR Triple B minus	--	--



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				Stable Outlook)	with Stable Outlook)		
5	Fund based bank facilities – GECL	Long Term	0.16	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)		
6	Non-Fund Based Bank Facility – BG	Short Term	20.00	IVR A3 (IVR A Three)	--	--	--
7	Non-Fund Based Bank Facility – LC	Short Term	25.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	--	--

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

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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.



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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.

For more information and definition of ratings please 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 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.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund based bank facilities-Term Loan	--	--	--	4.49	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Fund based bank facilities - Cash Credit	--	--	--	30.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Fund based bank facilities – WCDL	--	--	--	15.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Fund based bank facilities – WCTL	--	--	--	1.21	IVR BBB-/Stable (IVR Triple B minus with





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
					Stable Outlook)
Fund based bank facilities – GECL	--	--	--	0.16	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)
Non-Fund based bank facility – LC	--	--	--	25.00	IVR A3 (IVR A Three)
Non-Fund based Bank Facility – BG	--	--	--	20.00	IVR A3 (IVR A Three)

**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Manipal-Energy-july24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis:**

**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).