



Press Release

Manipal Energy & Infratech Limited

May 05, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	17.90	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	25.00	IVR A3 [IVR A Three]	Assigned	Simple
Total	42.90 (Rupees Forty-two Crore and ninety lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Manipal group derives strength from extensive experience of the promoters, territorial market leadership of Manipal Media Network Limited (MMNL), proven project execution capability and healthy order book of Manipal Energy and Infratech Limited (MEIL), the group's diversified business operations. The rating is however constrained on account of the group's moderate financial risk profile, working capital intensive operations, its high dependence on advertisement revenue, and tender driven nature of business in highly fragmented and competitive construction sector.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in revenue and/or profitability leading to improvement in 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.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters:

The promoters of the company have an experience of over decades in the industry and have strong understanding of the market dynamics which has helped them to establish good business relationships. The company is well supported by second line of management. The extensive experience of the promoter and emerging presence of the company in the said industries have helped the company to maintain regular flow of revenues.

Proven project execution capability

Manipal Energy and Infratech Limited (MEIL) was set up in 2011 and is a 100% subsidiary of Manipal Media Network Limited. MEIL is an engineering, procurement and construction contractor executing civil construction and rural electrification work for various state electricity boards. Over the past years, MEIL has successfully completed many civil and electrical works projects in Karnataka and ensured timely completion of all its projects. Successful execution of the projects has also helped it in getting repeat and large-sized orders from government entities.

Robust order book position in MEIL

MEIL services its revenues from executing civil construction and rural electrification work for various state electricity boards. Order book remained robust given the company has unexecuted order book of Rs. 252 Cr. to be executed in next 18-24 months thus providing revenue visibility in near to medium term. Mainly the orders pertain to the government departments. The company plans to execute approximately 80% of the unexecuted orders by end of 2024 accompanied by bidding for new projects thus indicating a satisfactory near to medium term revenue visibility. Its order book reflects the corporate philosophy of working on specialised projects. This reduces competition and enables improved pricing for the company. Successful execution of the projects has also helped it in getting repeat and large-sized orders from government entities. MEIL accounted for 57% of the group's revenues in 2021-22.

Key Rating Weaknesses

Moderate financial risk profile



Press Release

The advertisement revenue, which comprises majority of the total revenue, has high correlation with economic growth. The lockdown and weak economic activity in the first half of fiscal 2021 had led to a significant drop in ad revenue. Therefore, improved by 79% and stood at Rs. 210.42 Cr in FY22 audited as against Rs. 117.50 Cr in FY21 as a result of overall growth in business for Media and EPC division. Similarly, the PAT margin improved to 10.77% in FY22 from that of 8.38% in FY21 as a result of increase in other income ~ interest on inter-corporate loans and overall growth in top-line. Overall gearing for the company stood comfortable and marginally improved to 0.60x as on FY22 as against 0.63x in FY21. The total indebtedness reflected by TOL/TNW stood at 1.09x as on FY22 as against 0.96x in FY21. Current ratio stood comfortable at 1.41x in FY22 indicating liquidity to meet near term liabilities. DSCR improved because of improvement in profitability and further improved GCA. It stood at 2x in FY22 improving from 0.88x in FY21.

Tender driven nature of business in highly fragmented & competitive construction sector

The domestic electrical infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from regional electricity boards through tenders floated by them.

Working capital intensive operations

The company's operations are working capital intensive in nature as reflected by its Operating cycle (days) of around 93 days as on March 31, 2022 (Audited). The average collection period (days) remains high at 175 days in FY22 however improved from 202 days in FY21. Also, the creditor days remained higher at 117 days in FY22 as against 114 days in FY21. This has led to higher reliance on working capital borrowings and it utilised at an average of 62 per cent.

Analytical Approach: Consolidated

For arriving at rating, Infomerics has taken consolidated view of Manipal Media Network Limited - (MMNL) and its wholly owned subsidiaries namely, Manipal Energy and Infratech



Press Release

Limited (MEIL), Manipal Digital Network Limited, Manipal ACE Event Management Company Pvt. Ltd. together referred to as “Manipal Group”, based on common promoters/management, cash flow fungibility and strong financial linkages between these entities. Further, MMNL has provided corporate guarantee for the bank loans availed by MEIL to its lender (Canara Bank). Infomerics has analysed the consolidated financial statements to arrive at the ratings.

(Extent of consolidation: Full)





Press Release

Applicable Criteria:

[Criteria for assigning rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

The liquidity of the group is adequate as reflected in its comfortable current ratio of 1.56x and Quick ratio at 1.46x as on March 31, 2022. The company's utilization of the bank limits was ~60.5% over the last 12 months ended Feb-2023 indicating moderate liquidity buffer. The group has cash & cash equivalent of Rs. 10.39 Crore as on March 31, 2022.

About the Company

Manipal Media Network Limited is operating as a holding company for Manipal Group. Manipal Media Network Limited (MMNL) is Public (Unlisted) company, headquartered in Manipal. The company is engaged in publishing daily newspaper in Kannada by name of "Udayavani" with editions from Manipal, Bengaluru, Hubli, Gulbarga, Davanagere and Mumbai. It has a pan-Karnataka presence. Manipal Energy and Infratech Limited (MEIL) is an EPC company, a 100% subsidiary of Manipal Media Network Limited, established in the year 2011. The company focus on providing Engineering, Procurement & Construction services to large government and private organisations. The company has extensive operation & maintenance experience in peripheral lighting system, Electrical wiring systems along with civil works.

Financials (Consolidated)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	117.50	210.42
EBITDA	12.56	27.36
PAT	10.56	23.83
Total Debt	141.24	148.14
Tangible Net worth	224.19	248.23
EBITDA Margin (%)	10.69	13.00
PAT Margin (%)	8.38	10.77
Overall Gearing Ratio (times)	0.63	0.60

*Classification as per Infomerics standards



Press Release

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	37.56	119.09
EBITDA	4.61	9.32
PAT	0.60	3.06
Total Debt	38.39	43.44
Tangible Net worth	11.37	14.31
EBITDA Margin (%)	12.26	7.83
PAT Margin (%)	1.57	2.56
Overall Gearing Ratio (times)	3.38	3.04

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					–	–	–
1.	Long Term Bank Facilities	Long Term	17.90	IVR BBB-/Stable Outlook	–	–	–
2.	Short Term Bank Facilities	Short Term	25.00	IVR A3	–	–	–

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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

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
Long Term – Fund Based – WCTL	–	–	December 2026	1.41	IVR BBB- /Stable Outlook
Long Term – Fund Based – GECL	–	–	August 2024	1.49	IVR BBB- /Stable Outlook
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	15.00	IVR BBB- /Stable Outlook
Short term Bank Facilities – Letter of Credit	–	–	-	25.00	IVR A3



Press Release

Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Manipal Energy and Infratech Limited	100%
Manipal Media Network Limited	100%
Manipal Digital Network Limited	100%
Manipal ACE Event Management Company private limited	100%

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ManipalEnergy-may23.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.