



Press Release

Metcon India Realty & Infrastructure Private Limited (“MIRIPL”)

August 30, 2022

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	7.50	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	35.00	IVR A4 (IVR A Four)	Reaffirmed	Simple
Proposed Short Term Bank Facilities	2.50	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	45.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The reaffirmation of the ratings assigned to the bank facilities of Metcon India Realty & Infrastructure Private Limited (MIRIPL) continues to derive strength from experienced promoters, long track record of operations along with proven project execution capability, adequate order book size reflecting satisfactory near to medium term revenue visibility, improvement in scale of operations and comfortable capital structure with healthy debt protection metrics. The rating however is constrained by the concentrated order book, tender driven nature of business leading to high industry competition and working capital intensive operations.

Key Rating Sensitivities:

Upward Factors

- A sustained improvement in the revenue and debt protection metrics while maintaining the profitability and credit metrics
- Improvement in the working capital management with improvement in operating cycle and liquidity



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Downward Factors

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk
- Moderation in the capital structure with moderation in the overall gearing along with significant or sustained deterioration in debt protection parameters and /or liquidity

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters

Metcon India Realty and Infrastructure Private Limited (MIRIPL) was promoted by Mr Ashok Mehta in 1998 as Metcon India, partnership concern which got converted into private limited company in 2010 as MIRIPL. The Company is currently managed by Mr. Ashok Mehta (CMD), Mrs. Rakshita Mehta (MD), Mr Shaurya Mehta (Director), Mrs Sanjana Mehta along with Mr Jitendra Chadha and Mr Pratik Singh who all on an average has more than twenty-five years of experience in the field of civil construction services. Benefits derived from the promoters' experience along with their strong understanding of the local market dynamics, and healthy relations with customers and suppliers is expected to continue and support the business.

Long track record of operations along with proven project execution capability

Being in operation since 1998, the company has a vast track record of almost more than two decades. Over the past years, the entity has successfully completed many projects across India. Company has built up a strong clientele over the years, which is constantly expanding. Some of the reputed clients served by the company are Container Corporation of India Limited (CCIL), Delhi Metro Rail Corporation Limited (DMRCL), RITES Limited, Maharashtra State Power Generation Company Limited (MSPGCL), National Projects Construction Corporation Limited (NPCCL), Ircon International Limited, Rail Vikas Nigam Limited, National Capital Region Transport Corporation and many others, from whom it receives repeated orders. MIRIPL mainly bids for tenders floated by various government and is mainly engaged in EPC construction work for civil engineering which includes fabrication & erection work in the field of power, railways, land development, roads, dams, commercial complexes, real estate, etc.



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Adequate order book size reflecting satisfactory near to medium-term revenue visibility

The company has a total unexecuted order book of ~INR102.47 crore as on July, 2022 (comprising majorly of railway projects) which is about 1.85 times of its FY22 (provisional) of operating revenue (i.e. ~INR55.51 crore). The completion of the projects is expected within next 12-36 months, indicating a satisfactory near to medium term revenue visibility.

Improvement in Scale of Operations

There has been substantial improvement in the operating revenue of the Company, which had increased to Rs.55.51 crore in FY22(P) from Rs.39.02 crore in FY21(A), registering an Y-o-Y growth of ~42%. The improvement in revenue is on account timely execution of existing and new orders. The EBITDA and PAT margin stands at 5.90% and 1.63% respectively during FY22(P).

Comfortable capital structure with healthy debt protection metrics

The capital structure of the group remained comfortable with the overall gearing at 0.60x as on March 31, 2022 (prov.) (0.72x as on March 31, 2021). Debt protection parameters also remained comfortable with interest coverage ratio of 1.99x in FY22. TOL/TNW remained moderate at 1.04x in FY22.

Key Rating Weaknesses:

Concentrated Order Book

The present order book is skewed towards RITES (Rail India Technical and Economic Service) Limited and Ircon International Limited indicating a concentration risk which contributes more than 82% of its total orders as on July 31, 2022 (Rs.102.47 crore). However, the company has adequate experience to execute these projects and getting repetitive orders which provides a level of comfort.

Tender driven nature of business with high competitive intensity

The company participates in the tender passed by the government and private sector companies for infra related project work. Hence, the entire business prospects are highly dependent on the government and private tenders. The business volume remains high in the years when there are government tenders and vice versa. The construction industry is highly



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fragmented in nature with presence of large number of unorganized players and a few large organized players.

Working capital-intensive operations

The company has working-capital-intensive nature of operations, marked by its elongated operating cycle (FY22: 95 days and FY21: 143 days). The company's operations will remain working capital intensive due to dependency on government contracts where collections are usually delayed post performance.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for rating outlook](#)

Liquidity – Adequate

The Company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The Company's liquidity position is adequate, supported by cash and bank balances of INR 9.92 crore as on March 31, 2022 (P). The current ratio & quick ratio of the company remains comfortable as on March 31, 2022 (P) with 2.06x and 1.65x respectively. The liquidity of the company expected to remain adequate in the near to medium term in view of sufficient cash accruals in comparison to debt repayment.

About the Company:

Metcon India Realty & Infrastructure Private Limited (MIRIPL) is a civil engineering Company, formerly known as METCON INDIA with its head office situated in Mumbai (Maharashtra). Metcon India initially got incorporated as a partnership firm 1998 and later got converted into private limited company in 2010. The company's business is driven by tender based model wherein 99% of the projects in MIRIPL portfolio consist of governmental projects. The Company is in the business of Infrastructure Development, Railway Infrastructures, Civil Construction and Fabrication & Erection works in the field of Thermal Power Plants, LPG Bottling Plant, Nuclear and Wind Energy, Land Development, Bridges, Earthwork, Road, Dams, Multi-storeyed Residential and Commercial Buildings etc.



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Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	39.02	55.51
EBITDA	2.54	3.27
PAT	1.16	0.92
Total Debt	42.36	52.03
Tangible Net-worth	15.78	18.23
<u>Ratios</u>		
EBITDA Margin (%)	1.78	1.24
PAT Margin (%)	0.47	0.44
Overall Gearing Ratio (x)	2.68	2.85

Status of non-cooperation with previous CRA: Nil

Any other information: NA

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 (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (June 7, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	7.50	IVR BB- / Stable	IVR BB- / Stable	--	--
2.	Short Term Non- Fund Based Bank Facilities – Bank Guarantee	Short Term	35.00	IVR A4	IVR A4	--	--
3.	Proposed Short Term Bank Facilities	Short Term	2.50	IVR A4	IVR A4	--	--



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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

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	7.50	IVR BB-/ Stable
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	--	--	--	35.00	IVR A4
Proposed Short Term Bank Facilities	--	--	--	2.50	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-Metcon-India-aug22.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 <https://www.infomerics.com/>.