Metcon India Realty and Infrastructure Pvt. Ltd.
February 20, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Fund Based Bank Facilities	10.00* (Enhanced from Rs. 7.50 crore)	IVR B+/Stable (IVR Single B Plus with Stable Outlook)	IVR BB- / Stable (IVR Double B minus with Stable Outlook)	Rating Downgraded	**Simple**
Short term Non-Fund Based Bank Facilities	27.50 (Reduced from Rs. 35.00 crore)	IVR A4 (IVR A four)	IVR A4 (IVR A four)	Rating Reaffirmed	**Simple**
Total	**37.50 (Rupees Thirty seven crore and fifty lakh only)**				

**Reclassification of Cash credit facility of Rs 7.50 Cr with the press release dated December 22,2023. Cash Credit facility amounting to Rs 7.5 Cr has been changed/reclassified and enhanced to Overdraft facility of Rs 10.00 Cr.*

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

Detailed Rationale

Infomerics Ratings has downgraded its rating to the bank facilities of Metcon India Realty and Infrastructure Pvt Ltd (Metcon) on account of expected signicantly weaker FY25 performance, based on year to date performance. The company expects around 50% revenue decline for FY25 due to lower execution of EPC contracts during the year, although EBITDA margins are likely to be maintained at around 8% levels. The ratings continue to derive strength from experienced promoters and comfortable capital structure with moderate debt protection metrics. However, these rating strengths are partially offset due to significant revenue decline over two consecutive years, concentrated order book, tender driven nature of business with highly competitive intensity and working capital intensive operations.

The Stable outlook reflects Infomerics' view that the company will be able to sustain the current level of operations and profitability margins over the medium term.

Key Rating Sensitivities:

Upward Factors

- A sustained improvement in the revenue with more than 25% growth over expected FY25 levels and strengthening of debt protection metrics on account of improvement/ sustenance of profitability margins.
- Improvement in the working capital management with improvement in operating cycle and liquidity

Downward Factors

- Further dip in the revenue and/or profitability from expected FY25 levels 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

List of 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

- **Comfortable capital structure with moderate debt protection metrics**

  The financial risk profile of the company is marked by moderate capital structure and debt protection metrics. MIRIPL's TOL/TNW (adjusted) stood at 0.72x as on March 31, 2024 (0.84x as on March 31, 2023) due to increase in adjusted tangible net worth and decrease in total term liability. Further, overall gearing on adjusted tangible net worth stood at 0.45x as on March 31, 2024 (0.53x as on March 31, 2023) due to decrease in adjusted total debt and increase in adjusted tangible net worth. The decrease in debt levels as at end FY24 is attributed to lower utilization of working capital and decrease in the unsecured loans availed. The debt protection metrics also remained moderate with interest coverage ratio of 3.90x in FY24 (2.32x in FY23) due to increase in EBITDA in absolute terms in FY24 along with decrease in interest and financial charges. Total debt to NCA stood at 5.97x as on March 31, 2024 as compared to 11.68x as on March 31, 2023 due to decrease in total debt in FY24 and increase in NCA in FY24.Total debt decreased on account of lower utilization of working capital limits in addition to decrease in the unsecured loans. The reduction in working capital borrowings was in line with reduction in topline reported for the year.

Key Rating Weaknesses

- **Significant revenue decline over two consecutive years**
  Considering the competitive nature of the EPC contracting business especially in the infrastructure space, the company has been selective in bidding in tenders and has been focusing only on those orders contracts entailing certain minimum level of margins. This, along with delay in execution of certain under-construction projects has led to topline declining by 16.4% in FY24 to Rs.50.23cr, and which is likely to decline by around 50% in FY25. Infomerics notes that the company was able to maintain EBITDA margin of 8.45% in FY24 as compared with 6.1% in FY23.

- **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. 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 highly 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 more government tenders issued and vice versa. The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players.

- **Working capital-intensive operations**

  The average utilisation of its working capital facilities is ~99.08% in 12 months ended Nov 2024, leaving little headroom for financial flexibility. The operating cycle was of around 96 days FY24 (85 days in FY23). The company maintains an average inventory (WIP)of around 65 to 75 days for smooth running of operations. Its average collection period remained at 37 days in FY24 (39 days in FY23), while the average creditor days remained at 20 days in FY24 (30 days in FY23).

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

MIRIPL's liquidity position remained adequate marked by current ratio of 2.43x as on March 31, 2024 (2.26x as March 31, 2023). Gross cash accruals stood at Rs. 2.60 crore in FY24 (Rs. 1.46 crore in FY23). There are no term loans availed by the company. Interest coverage was at 3.90 in FY24 and going forward the operating profits are sufficient to repay the interest on working capital. The average utilisation of its working capital facilities is ~99.08% in 12 months ended Nov 2024, reflective of limited liquidity buffer.

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. The CMD of the company Mr Ashok Mehta carries more than three decades of experience in this civil construction industry which has given overall competitive edge to the company.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	**31-03-2023**	**31-03-2024**
	Audited	**Audited**
Total Operating Income	60.09	50.23
EBITDA	3.66	4.24
PAT	0.90	2.12
Total Debt	17.06	15.54
Tangible Net Worth	32.45	34.56
EBITDA Margin (%)	6.09	8.45
PAT Margin (%)	1.49	4.20
Overall Gearing Ratio (x)	0.53	0.45
Interest Coverage (x)	2.32	3.90

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: As per PR dated July 31, 2024, CARE Ratings continued to keep the ratings in the non-cooperating category due to non cooperation from the client.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year T)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in T-1**	**Date(s) & Rating(s) assigned in T-2**	**Date(s) & Rating(s) assigned in in T-3**
					Date (December 22, 2023)	**Date** (October 09, 2023)	**Date** (August 30, 2022
1.	Overdraft	Long Term	10.00*	IVR B+/Stable	IVR BB-/Stable	IVR B+/ Negative (INC)	IVR BB- / Stable
2.	Bank Guarantee	Short Term	27.50	IVR A4	IVR A4	IVR A4 (INC)	IVR A4

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Analytical Contacts:

Name: Mr. Sudarshan Shreenivas

Tel: (022) 6239 6023

Email: : sudarshan.shreenivas@infomerics.com

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.

For more information and definition of ratings please visit www.infomerics.com.

Press Release

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft	-	-	-	-	10.00	IVR B+/Stable
Bank Guarantee	-	-	-	-	27.50	IVR A4

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-MIRIPL-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: NA

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

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.