



## Press Release

### **Modest Infrastructure Private Limited**

**August 22, 2024**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facility	10.00	IVR BB/ Stable (IVR double B with stable outlook)	-	Assigned	<a href="#"><u>Simple</u></a>
Short Term Bank Facility	10.00	IVR A4 (IVR A four)	-	Assigned	<a href="#"><u>Simple</u></a>
<b>Total</b>	<b>20.00 (INR twenty crore 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.**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Modest Infrastructure Private Limited (MIPL) derives strength from improvement in scale of operations during FY24 (refers to the period 1st April 2023 to 31st March 2024), moderate order book position coupled with healthy set of orders in pipeline, memorandums of understanding (MOUs) entered with reputed government players recently, and significant funding support from the promoters & related parties in form of unsecured loans. However, working capital intensive nature of operations, and deterioration in operating profit margins are rating constraints, but improvement in operating profit margins is expected in the future.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Increase in scale of operation along with improvement in profitability margins on sustained basis
- Steady flow of orders and their timely execution
- Efficient management of working capital

##### **Downward Factors**

- Deterioration in the debt coverage indicators or capital structure
- Elongation in working capital cycle from current levels on a sustained basis



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Improvement in scale of operations during FY24**

The scale of operations of MIPL has improved significantly during FY24 with the total operating income having grown from Rs. 26.39 crore during FY23 (refers to the period 1st April 2022 to 31st March 2023) to Rs.56.05 crore during FY24, owing to increase in order execution. During FY24, the company was awarded ship repairs orders from the Indian Navy and Gujarat Maritime Board coupled with new shipbuilding orders from Cochin Shipyard Limited and Goa Shipyard Limited. It is to be noted that the company's operations are project-based and not product-based, wherein different orders have different milestones of billing and are at different stages of execution.

##### **Moderate order book position coupled with healthy set of orders in pipeline**

The order book position of MIPL stood healthy with shipbuilding and ship repairs orders worth Rs.32.59 crore as on July 31, 2024. Moreover, the company has a healthy set of orders in the pipeline for shipbuilding and repairs. This will enable the company to increase its revenue visibility and improve profitability.

##### **Memorandums of understanding (MOUs) entered with reputed government players recently**

In August 2023, MIPL has signed an MOU with Garden Reach Shipbuilders & Engineers Limited (GRSE), which is a Government of India undertaking, to launch a collaboration model to build commercial vessels. This is GRSE's maiden attempt to diversify in a big way in commercial shipbuilding to capture a large market share in construction of commercial vessels, both domestic as well as international. GRSE took the maiden initiative in the country to make the Public Private Partnership model a success story in warship building. Moreover, the company has also signed an MOU with Mazagaon Dock Shipbuilders Limited in October 2023. This will enable the company to increase its revenue visibility and improve profitability.



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### **Significant funding support from the promoters & related parties in form of unsecured loans**

MIPL has been receiving significant funding support from the promoters & related parties in the form of unsecured loans. Moreover, the unsecured loans from promoters & related parties worth Rs.76.09 crore as on 31<sup>st</sup> March 2024 are considered as quasi equity.

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations**

The operations of MIPL are working capital intensive in nature with a majority of funds blocked in inventory followed by debtors. The inventory holding though improved, stood elongated at 107 days in FY24 as against 241 days in FY23 owing to high gestation period of the orders, given the project-based nature of operations. The collection period also improved but still continues to stand moderately elongated at 122 days in FY24 as against 208 days in FY23 which also includes the retention money. On the other hand, the creditors' period stood at 87 days in FY24 as against 75 days in FY23. Given all the above, the operating cycle improved, however, continues to stand elongated at 141 days in FY24 as against 374 days in FY23.

#### **Deterioration in operating profit margins, however improvement is expected in the future**

The EBITDA margin of MIPL stood moderate at 5.25% in FY24 as against 9.71% during FY23. This deterioration is on account of a disproportionate increase in raw material consumption cost. However, the new projects awarded to the company have better operating margins and are expected to improve during FY25-27.

#### **Analytical Approach: Standalone**



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### Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

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

### Liquidity – Adequate

The liquidity is considered to be adequate given the average bank limit utilisation for the working capital facilities remaining moderate at around 77% during the last nine months ended June 30, 2024. Further, the current ratio & quick ratio stood healthy at 2.08x & 1.60x respectively as on March 31, 2024. Moreover, MIPL has projected positive GCA for future years against nil repayment obligations.

### About the Company

Modest Infrastructure Private Limited (MIPL) is located at Bhavnagar, Gujarat and is engaged in shipbuilding and ship repair activities for International and domestic Companies. MIPL is a part of the reputed Dempo Group of Companies from Goa, which has business interests in Mining, Petroleum Coke, Shipbuilding & Repairs, Real Estate, Media, Tourism, and Food processing etc.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	26.39	56.05
EBITDA	2.56	2.94
PAT	-3.42	-1.73
Total Debt	0.00	9.97
Tangible Net Worth (Adjusted)	77.39 <sup>^</sup>	64.33 <sup>^</sup>
EBITDA Margin (%)	9.71	5.25
PAT Margin (%)	-12.63	-3.05
Overall Gearing Ratio (x) (Adjusted)	0.00 <sup>^</sup>	0.16 <sup>^</sup>
Interest Coverage (x)	0.43	0.46

\* Classification as per Infomerics' standards.

<sup>^</sup> quasi equity of INR 85.25 Cr during FY23 and INR 76.09 Cr during FY24 has been considered.



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**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	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.	Overdraft	Long Term	10.00	IVR BB/ Stable	-	-	-
2.	Bank Guarantee	Short Term	10.00	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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).



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### 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 BB/ Stable
Bank Guarantee	-	-	-	-	10.00	IVR A4

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Modest-aug24.pdf>

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

**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](http://www.infomerics.com).