



Press Release

MPower Infratech (India) Private Limited (MIPL)

September 20, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility - OCC	70.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Working Capital Bank Facility – Proposed	40.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facility - Bank Guarantee	10.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Short Term Non-Fund Based Bank Facility – Proposed	10.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	130.00	Rupees One Hundred and Thirty Crores Only		

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating assigned to the bank facilities of MPower Infratech (India) Private Limited derives strength from experienced promoters & management team, Strong Order Book Position & Diversified Customer Base, Growing scale of operation with modest profitability and moderate debt protection metrics & capital structure.

The rating however is constrained by working capital intensive nature of operation and intense competition along with Susceptibility of operating margin to volatile input prices.



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Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in revenue & profitability leading to improvement in debt protection metrics.

Downward Factors:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.
- Any increase in working capital cycle leading to deterioration in liquidity and/or capital structure.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters & management team

The company's founder Mr. Manney Subrahmanyam is having more than a two decades of expertise in the manufacturing and supply of towers industry. His vast experience has facilitated the establishment of strong connections with both customers and suppliers. In addition to the promoter, MIPL benefits from the support of a skilled and qualified team of professionals. The day-to-day operations of the company are looked after by the senior management having considerable experience with technological background.

Strong Order Book Position and Diversified Customer Base

The company is having an unexecuted orderbook of around Rs.300.00 crore as on June end 2023, These orders are expected to be executed within the next 6 months, providing satisfactory revenue visibility in the short term. With promoters' extensive experience, established network and effective completion of projects in the scheduled time, the Company has been able to gather a diversified client base. Furthermore, the order book is well diversified from many reputed customers. This diversification ensures a low concentration risk regarding both customers and product segments.

Growing scale of operation with modest profitability

The company has growing scale of operations with an exception of decrease from Rs. 233.33 crores in FY 20 to 182.76 Crores in FY 21 due to COVID 19. The company's operating income stands at Rs. 320.32 crores in FY 2023 and have CAGR of around 20% in operating revenue from FY 21 to FY 23. The operational profitability margins of the company got improved to



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8.42% in FY23 as against 6.98% in FY22 and the continuous growth PAT margin has with 1.89% in FY 2021 to 2.38% in FY 22 to 3.27% in FY 23 indicates the company is showing improved performance. The CAGR of EBITDA stands at 31.55% Y-o-Y from FY 2021 to FY 2023 and the same has been expected in the projections as the company has robust order book and company has taken the Rolling Mills (to make Flat Angle Rods) on lease basis which has the capacity of manufacturing 2500 Tons per month. This helps as an added advantage in cost cutting as half of the monthly capacity is coming from this leased facility. Due to this lead time will also be reduced apart from reduction in cost of material input.

Moderate debt protection metrics & capital structure

The moderate financial risk profile is marked by modest net worth, gearing and debt protection metrics. The net worth of the Company stood at INR83.88 Crore as on March 31st, 2023, on account of sustained accumulation of profits into reserves over the years. Working capital borrowings (on Cash Credit basis) majorly accounted for the Company's total debt exposure. However, the overall gearing stands at 1.19x for the FY 23. Interest Coverage ratio stands satisfactory at approximately 2.57x for FY 23.

Key Rating Weaknesses:

Working capital intensive nature of operation

The group's operations heavily rely on working capital. There is an Inventory turnover period of 149 days which would affect the liquidity of the company and this led to high operating cycle of around 165 days in FY 2023. Having high inventory turnover is observed in this industry and moreover, this is mitigated by the fact that 80% of inventory of company is completely backed by orders and those contracts which have tenure of more than 6 months have price escalation clause. The company's receivable's period is also prolonged because it strives to align its payments to suppliers with the receipts from debtors. This approach to managing payments further contributes to the working capital intensity of the group's operations.

Intense competition along with Susceptibility of operating margin to volatile input prices



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The primary raw materials for manufacturing of Towers, are steel, Pipes, Zinc. These are typically procured from prominent suppliers like Steel Authority of India Limited (SAIL), Rashtriya Ispat Nigam Limited (RINL), Jindal Steel and Power, Apollo Pipes & Steels, Hindustan Zinc Limited. These raw materials, as well as steel products, have historically exhibited volatile pricing, which can impact the company's profitability margins. However, the company has mitigated the effects of this volatility to some extent by incorporating price escalation clauses into their contracts. These clauses help offset the impact of fluctuating raw material prices and finished product costs.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)
[Criteria on Default Recognition](#)
[Criteria for rating outlook](#)

Liquidity-Adequate

The company possesses adequate liquidity profile and projected cash accruals are sufficient to meet the repayment and has no significant long-term repayment obligations or major capital expenditure plans. During the fiscal year 2023, the company generated gross cash accruals of Rs. 11.68 Crore. It maintains adequate cash and bank balance to fulfil its liquidity needs and is expected to maintain a satisfactory liquidity position in the foreseeable future, The company's liquidity is contingent on the successful completion of orders received and prompt realization of proceeds from the customers.

As of March 31, 2023, the current ratio stands at 1.49 times, and the company has cash & bank balance of INR1.18 Crore as on March 31st, 2023. The average working capital utilisation of the company stands at ~95% for the last 12 months ended June 30, 2023.

About the company:

Incorporated in September 2004, MPower Infratech (India) Private Limited (MIPL) was promoted by Mr Manney Subrahmanyam (Executive Director) and M. Subha (Non-Executive



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Director). The company manufactures fabricated and galvanized parts of Power Transmission and Telecom Towers, Monopole / Solar Structures/ Pre-Engineered Buildings (PEBs)/ Shelters/Highway Safety Rails and undertake all types of heavy fabrication works. MIPL's manufacturing unit is located at Cherlapally in Hyderabad.

Financials: Standalone

For the year ended / INR Crore*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	211.20	320.32
EBITDA	14.74	26.98
PAT	5.02	10.47
Total Debt	94.14	99.62
Tangible Net Worth	73.41	83.88
Ratios		
EBIDTA Margin (%)	6.98	8.42
PAT Margin (%)	2.38	3.27
Overall Gearing Ratio (x)	1.28	1.19

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

India ratings has continued to place the ratings of MPower Infratech (India) Private Limited into Issuer Not Cooperating category based on best available information vide PR Dated July 24, 2023 due to non-submission of information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)



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			(INR Crore)		assigned in 2022-23	assigned in 2021- 22) assigned in in 2020- 21
1.	Long Term Fund Based Bank Facility - OCC	Long Term	70.00	IVR BB+/ Stable	-	-	-
2.	Long Term Fund Based Working Capital Bank Facility – Proposed	Long Term	40.00	IVR BB+/ Stable	-	-	-
3.	Short Term Non-Fund Based Bank Facility - Bank Guarantee	Short Term	10.00	IVR A4+	-	-	-
4.	Short Term Non-Fund Based Bank Facility – Proposed	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



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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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Annexure 1: Details of Facilities:



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	70.00	Assigned
Fund Based Working Capital Bank Facility – Proposed	-	-	-	40.00	Assigned
Bank Guarantee	-	-	-	10.00	Assigned
Non-Fund Based Bank Facility – Proposed	-	-	-	10.00	Assigned

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Mpower-sep23.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