



Press Release

Shree Manglam Buildcon (I) Private Limited (SMBIPL) December 06, 2023

Ratings:

| Instrument / Facility | Amount (Rs crore) | Ratings | Rating Action | Complexity Indicator |
|----------------------------|-------------------|---|---------------|--------------------------------------|
| Long Term Bank Facilities | 4.00 | IVR BBB/ Stable (IVR Triple B With Stable Outlook) | Assigned | Simple |
| Short Term Bank Facilities | 117.00 | IVR A3+ (IVR A Three plus) | Assigned | Simple |
| Total | 121.00 | | | |

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Shree Manglam Buildcon (I) Private Limited continue to derive strength from experienced promoters & management team, robust growth in revenues & healthy work orders on hand, comfortable financial risk profile and comfortable operating cycle. However, the rating strengths are partially offset by susceptibility to risks inherent in tender based business and geographical concentration risk.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis.
- Increase in order book and timely execution of the same.

Downward Factors:

- Decline in operating income and profitability.
- Substantial decline in execution of work orders.
- Stretch in the working capital cycle negatively impacting liquidity position.



Press Release

Key Rating Drivers with detailed description:

Key Rating Strengths:

Experienced promoters & management team:

Promoters have extensive experience of more than two decades in road construction and have an established track record withstanding industry cycle. Over the years, they have developed long-standing relations with clients in the government departments of Gujarat, Maharashtra, Rajasthan, Uttar Pradesh, Uttarakhand and Madhya Pradesh. The company benefits from the promoters' significant experience in the tender bidding process, which helps in the continuous receipt of orders.

Robust Growth in revenues and healthy work orders on hand:

Total operating income (TOI) witnessed an increasing trend since past couple of fiscals on the back of healthy work orders and ability to complete the orders on time. The company reported TOI of Rs. 246.90 Crs in FY21, Rs. 316.45 Crs in FY22 and Rs. 437.30 Crs in FY23, an improvement by 38%. SMBIPL has healthy work orders on hand worth Rs. 1035.94 Crs as on July 31st, 2023. This provides revenue visibility in the medium term and past record of the successful project execution and established relationships with these clients, lend the comfort.

Comfortable financial risk profile:

The company's financial profile remained comfortable, marked by strong net worth, low gearing and comfortable debt protection metrics. The adjusted tangible net worth is Rs. 77.92 Crs as on 31 March 2023 and given the moderate indebtedness, largely towards working capital requirements, the gearing stood low, at 0.45x and the TOL/TNW is 1.40x in FY23. EBIDTA & PAT margin are improved & stood at 6.61% to 4.72%. The interest and debt service coverage stood comfortable, at 5.83x and 5.12x, respectively as on 31st March 2023.

Comfortable operating Cycle:

Cash conversion cycle stood at (9) days in FY23 which reflects less reliance on working capital debt. The average collection period is 6 days and average inventory holding period stands at 14 days in FY23. The average creditors period stands at 30 days in FY23. The company can fund its working capital requirement on the back of favorable market demand.



Press Release

Key Rating Weaknesses:

Geographical concentration risk:

SMBIPL operates in selected couple of regions, hence there is concentration of revenue from specific region. Majority of the work orders are from NHAI & Local bodies. Out of total work orders, Gujarat accounted for 53.71%, Madhya Pradesh accounted for around 33.37% of the projects and rest are diversified in other states like Maharashtra, UP, Uttarakhand etc. Thus, exposing the company to high geographical concentration risks with two states, Gujarat & Madhya Pradesh.

Susceptibility to risks inherent in tender based business:

Most of the projects are tender-based and face intense competition, thus requiring the company to bid aggressively to get contracts, which restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability of company to maintain profitability margin remains a key rating sensitivity. Working capital requirement is inherently higher in the EPC industry, hence timely collection from orders of NHAI & Local bodies remain crucial.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate characterized by moderate cushion in its gross cash accruals of Rs. 25.42 Cr in FY23. The current and quick ratios remained comfortable at 1.77x and 1.56x respectively as on March 31, 2023. The average fund based working capital utilization of the company remained low at 43% & 37 % for Punjab National Bank & Kalupur Bank for the past 12 months period ended July 2023 indicating high liquidity cushion. However, the company's free cash and bank balance stood at Rs. 1.97 Crore as of March 2023.



Press Release

About the Company

Shree Manglam Buildcon was established in April 2011 as a partnership firm and was later converted to a private limited company on 23 May 2019. At present, the company is managed by Mr. Dinesh Patel and three other directors at Ankleshwar, Gujarat. The company is engaged in the construction of bridges and roads in Gujarat, Madhya Pradesh, and Maharashtra. It is registered as an “A” Class contractor with the Government of Madhya Pradesh and as a “AA” class and Special Category – I (Bridge) with the Government of Gujarat.

Financials: Standalone

(Rs. crore)

| For the year ended/* As On | 31-03-2022 | 31-03-2023 |
|-------------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 316.45 | 437.30 |
| EBITDA | 16.55 | 28.89 |
| PAT | 14.71 | 21.05 |
| Total Debt | 21.98 | 39.54 |
| Tangible Net-worth | 52.25 | 73.19 |
| Ratios | | |
| EBITDA Margin (%) | 5.23 | 6.61 |
| PAT Margin (%) | 4.51 | 4.72 |
| Overall Gearing Ratio (x) | 0.28 | 0.45 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

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 (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 |
| 1. | Long Term Bank Facilities | Long Term | 4.00 | IVR BBB/ Stable | - | - | - |
| 2. | Short Term Bank Facilities | Long Term | 117.00 | IVR A3+ | - | - | - |



Press Release

Name and Contact Details of the Rating Team:

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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 visit www.infomerics.com.

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Annexure 1: Details of Facilities:



Press Release

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. crore) | Rating Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Long Term Bank Facilities – Cash Credit | - | - | - | 4.00 | IVR BBB/ Stable |
| Short Term Bank Facilities – Bank Guarantee | - | - | - | 117.00 | IVR A3+ |

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ShreeManglam-dec23.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 based on complexity and a note thereon is available at www.infomerics.com.