



## Rating Rationale

M/s. Malti Enterprises.

21 Sep 2018

Brickwork Ratings assigns the long term rating and short term rating for the Bank Loan Facilities of Rs. 12.00 Crs of M/s. Malti Enterprises. (ME).

### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
<b><u>Fund Based:</u></b> Cash Credit (Existing) Cash Credit (proposed)	4.00 3.00	Long Term	<b>BWR BB</b> <b>(Pronounced as BWR Double B )</b> <b>Outlook: Stable</b>
<b><u>Non Fund Based:</u></b> Bank Guarantee (Existing)	5.00	Short Term	<b>BWR A4+</b> <b>(Pronounced as BWR A Four plus)</b>
<b>Total</b>	<b>12.00</b>	<b>INR Twelve Crores Only</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating: Long Term and Short Term Rating Assigned

Brickwork Ratings assigned the long term rating of 'BWR BB' with "Outlook:Stable" and short term rating of 'BWR A4+' to the bank loan facilities aggregating Rs.12.00 Crores of M/s. Malti Enterprises.

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has inter alia, factored Promoter's extensive experience of over 2 decades in Civil construction business, long track record of the firm, comfortable financial risk profile, government clientele and healthy order book position. However, the rating is constrained by modest scale of operations, stiff competition due to low entry barriers, geographic & customer concentration, tender based nature of sourcing business and proprietorship constitution. Going forward, ability of the firm to scale up its operations, to improve its profit margins and to maintain its gearing in an intensely competitive industry will remain the key rating sensitivities.



### **Rating Outlook: Stable**

BWR believes that the business risk profile of M/s. Malti Enterprises will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **Analytical Approach :**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

### **Key Rating Drivers:**

#### **Credit Strengths:**

- **Experienced management & long track record of operations:**The promoter of the firm Mr. Nandalal Nayak has more than two decades of experience in Civil & Road construction. The Firm has been into operation since 1989.
- **Reputed & Government Clientele:** ME has established healthy relationships with various government departments of Jharkhand & Bihar. Key clients include PWD Jharkhand, NBCC Ltd., RWD Jharkhand, Hindustan Steelworks Construction Limited, Jharkhand State Rural Road Development Authority etc.
- **Comfortable financial risk profile :**MEs financial profile remained comfortable marked by comfortable net worth, low gearing, healthy debt protection metrics. The networth of the firm stood at Rs.12.61 crore in FY17 as against Rs.11.26 crores in FY16. The gearing of the firm stood low at 0.44 times in FY17. The firm has reported net profit margin of 6.45% and operating profit margin of 6.73 % in FY17. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the firm stood at 5.96 times and 6.50times respectively in FY17 as compared to 6.81 times and 6.17 times in FY16.

#### **Credit Weaknesses :**

- **Moderate scale of operations:**Though the firm was established in 1989, its scale of operations remained moderate with total operating income of Rs.28.19 crore in FY17.
- **Low Entry Barriers :** Entry barriers in Civil and Infrastructure industry are low on account of limited capital and technology requirements and the firm faces stiff competition from both organized and unorganized players in the industry.
- **Geographic & customer concentration:**The order-book of the firm is fully concentrated with work orders from the state of Jharkhand & Bihar.
- **Limitations of Proprietorship Concern :** Limitations of proprietorship concern are largely due to finances & decision making and also exposed to risk of withdrawal of capital by the proprietor.

### **About the Firm:**

M/s. Malti Enterprises (ME) is a Jharkhand based proprietorship concern promoted by Mr.



Nandlal Nayak in 1989. ME is engaged in providing civil construction/infrastructure services in the state of Jharkhand & Bihar. The firm is Class I contractor for PWD Jharkhand and majorly into construction of Bridge & Roads for PWD Jharkhand.

**Firms Financial Performance:**

The Firm has registered total operating income of Rs.28.19 Cr in FY17 as against Rs.28.08 Crs in FY16. Tangible net worth of the firm stood at Rs. 12.61 Cr as on March 31, 2017 compared to Rs.11.26 Crs as on March 31, 2016. The Firm reported net profit margin of 6.45% and operating profit margin of 6.73 % in FY17. On provisional basis, the firm has achieved sales of Rs. 42.00 Crs during April 1, 2017 to March 31, 2018.

Parameters	31-Mar-2015	31-Mar-2016	31-Mar-2017
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	31.83	28.08	28.19
EBITDA (Rs. Crores)	2.90	2.24	1.90
PAT (Rs. Crores)	2.09	1.80	1.82
Tangible Net Worth (TNW) (Rs. Crores)	13.47	11.26	12.61
Total Debt : TNW (Times)	0.15	0.40	0.44
Current Ratio (Times)	4.13	1.97	1.63

**Rating History for the last three years: (including withdrawn/suspended ratings)**

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Cash Credit	Long Term	7.00	<b>BWR BB</b> (Pronounced as BWR Double B ) Outlook: Stable	Nil	Nil	Nil
3	Bank Guarantee	Short Term	5.00	<b>BWR A4+</b> (Pronounced as BWR A Four plus)			
<b>Total</b>			<b>12.00</b>	<b>INR Twelve Crores Only</b>			



**Status of Non cooperation with other CRA :**ICRA, vide its press release dated Nov, 22 2016, has migrated its ratings of the bank loan facilities of Rs.9.00 Cr of the company to the Issuer Not Cooperating category, in view of its inability to carry out a review of the ratings due to non submission of requisite information by the company.

Hyperlink/Reference	to	applicable	Criteria
<ul style="list-style-type: none"> <li>• <a href="#">General Criteria</a></li> <li>• <a href="#">Approach to Financial Ratios</a></li> </ul>			<ul style="list-style-type: none"> <li>• <a href="#">Infrastructure Sector</a></li> <li>• <a href="#">Short Term Debt</a></li> </ul>

**For any other criteria obtain hyperlinks from website**

Analytical Contacts	Media
K V Raju Head - MSME Ratings <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities



**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.