RATING RATIONALE

14 April 2020

Mathiyan Construction Pvt Ltd

Brickwork Ratings downgrades the ratings for the Bank Loan Facility of ₹ 45 Crs of Mathiyan Construction Pvt Ltd

Particulars :

Facility**	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Tenure	Previous Rating (12 Feb, 2019)	Rating*
Fund Based	10.00	10.00	Long Term	BWR B Stable	BWR D Downgrade
Non Fund Based	35.00	35.00	Short Term	BWR A4	BWR D Downgrade
Total	45.00	45.00	INR Forty Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

BWR has downgraded the rating to BWR D assigned to the bank loan facilities of **Mathiyan Construction Pvt Ltd,**

The rating draws comfort from the experienced promoters of the company, moderate coverage indicators and profitability margins. The ratings, however, are constrained by consistent declining sales , risk associated with tender based business and delays in servicing of the debt.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19 publicly available information and information/clarification provided by the management.

Credit Strengths

- ***Experienced Management:*** Mr Rajeev Kumar who is a key management personnel having 20 years of experience in civil construction and has gained through knowledge of the market.

- ***Moderate Gearing and Debt Protection metric:*** For FY19, Overall Gearing (TOL/TNW) stood at 1.48X and Debt protection metric such as ISCR stood at 2.58X which is considered to be at moderate level.

- ***Moderate Profitability Margins:*** For FY19, Profitability margins such as Operating profit and PAT was 10.65% and 4.15% which are considered to be at moderate level.

Credit Weaknesses :

- ***Delay in Debt Servicing:*** There was delay in servicing of the debt as the working capital limit remained overdrawn for more than a month as the company had liquidity issues due to realisation of debtors.

- ***Consistent declining sales:*** During FY19, the entity recorded degrowth in revenue to Rs 48.07 Crs as against revenue of Rs 60.07 Crs during FY18 which is almost 20% lower.. Further, as informed this trend will continue in FY20 as the entity may achieve revenue of Rs 20 Crs for FY20 due to lack of fresh orders.

- ***Risk Associated with Tender Based Business:*** Company is exposed to inherent risks associated with tender based business such as competitive bidding, delayed payments which clearly reflects in receivable position, sudden government policy changes and geographical concentration of revenue as it undertakes contract majorly in the state UP only are some of the challenges for the business.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating outlook may be revised to positive and rating may be upgraded in case there is a sustainable growth in profitability margins, revenues and liquidity profile

Negative: The rating may be downgraded if going forward there is significant decline in revenue, profitability margins and deterioration in liquidity profile.

LIQUIDITY POSITION (Stretched)

CC utilization during the last seven months around 100%. During FY19 the entity reported cash accruals of Rs 2.90 Crs against CPLTD of Rs 1.78 Crs. Due to delay in realisation of debtors, the company is facing liquidity stress.

COMPANY PROFILE:

Incorporated in the year 2007, Mathiyan Construction Private Limited (MCPL) undertakes contracts mainly for maintenance and construction of roads for PWD, UP and Pradhan Mantri Gram Sadak Yojana. MCPL is based out of Muzaffarnagar, UP and presently being managed by Mr Rajeev Kumar having 20 years of experience in civil construction & telecom sectors.

KEY FINANCIAL INDICATORS (in ₹ Cr)_

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs.in Crs	60.07	48.07
OPBDIT	Rs. inCrs	6.26	5.12
PAT	Rs. in Crs	2.41	2.00
Tangible Net Worth	Rs.in Crs	20.76	22.75
Total Debt/TNW	Times	0.65	0.55
Current Ratio	Times	1.46	1.60

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: ICRA has migrated the rating assigned to bank loan facilities of Mathiyan Construction Pvt Ltd under non cooperation category dated 31 Dec 2019.

RATING HISTORY

S. No	Name of Instrument	Current Rating (March 2020)			2019	2018	2017
		Type (Long Term/ Short Term)	Amount (Rs. Crores)	Rating			
1	Bank Loan Facility	FB Long Term	10.00	BWR D Downgrade	12.02.2019 FB 10.00 BWR B Stable	NA	NA
		NFB Short term	35.00	BWR D Downgrade.	NFB 35.00 BWR A4		

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more informatiSectoron, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Services Companies**
- **Short Term Debt**
- **Default Recognition and Default Curing Period**

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ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
PNB	CC	10.00	-	10.00
	ILG	-	35.00	35.00
TOTAL				**45.00**

INR Forty Five Crores Only

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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.

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