

RATING RATIONALE

27 December 2021

Mukand Engineers Ltd

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities & Fixed Deposit of ₹. 47.71 Crores of Mukand Engineers Ltd (MEL or Company)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*#	
	Previous	Present		Previous (Nov, 2020)	Present
Fund based	3.00	0	Long Term	BWR C	Withdraw
Non Fund Based	47.60	47.60	Short Term	BWR A4	BWR A4 Reaffirmed
Fixed Deposit	4.70	0.11	Long Term	BWR FC	BWR FC Reaffirmed
Non Fund Based	0.15	0	Short Term	BWR A4	Withdraw
Total	55.45	47.71	INR Forty Seven Crores and Seventy One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Advisory issued on 24th November 2021.

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has essentially relied upon the company's audited financial results up to FY21, unaudited financials for H1 FY22, as well as publicly available information and the information/clarifications provided by the company.

The reaffirmation of rating factors the experience and track record of the promoters of Mukand Engineers Ltd. However, the rating is constrained by the modest scale of operations, ongoing operating losses and stretched working capital cycle of the company. The ratings of fund and non fund based facilities have been withdrawn basis confirmation received from the banker regarding closure of CC Limit and cancellation of LC Limits respectively

The Company had filed a Company Scheme Petition (merger with Mukand Ltd) seeking sanction of the NCLT, Mumbai bench and the same was admitted by NCLT Special Bench, Mumbai on 23 April 2020. Final hearing on the petition and approval of the Scheme by NCLT



is awaited, the next date of hearing is 7th January 2022.

KEY RATING DRIVERS

Credit Strengths:

- The company's management has more than four decades of expertise in areas of project construction covering civil, structural, mechanical, piping, electrical and instrumentation works.
- Support from associate company Mukand Ltd., in the form of inter corporate deposits (ICD). Outstanding ICD as at FYE 21 was Rs. 109.80 Crs. (FYE 20: 73.21 Crs.). The support from Mukand is likely to continue till the company's are merged.

Credit Risks:

- Company's net worth eroded significantly in FY21 to Rs -46.12 crores (FY20: Rs -14.60 crores) due to ongoing operating losses. The debt obligations are serviced through borrowings from the group company, Mukand Ltd.
- Operational performance of the company is adversely impacted due to the prolongation in execution of projects, particularly of BHEL and NTPC, attributed to delay in synchronization of power plants. The company has lodged claims for cost and time overruns.
- Company's operations are working capital intensive in nature, mainly on account of stretched receivables and elongated inventory levels. A major portion of the receivables are retention money which is held back for a certain period after the project is completed.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

As the company does not have any subsidiaries, for arriving at its ratings, BWR has assessed the standalone financials of Mukand Engineers Ltd and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: Substantial improvement in operations and key financial metrics.

Negative: Further deterioration in financial profile, debt coverage indicators and/or working capital resulting in delay in debt servicing

LIQUIDITY POSITION

The company's liquidity position is poor considering that the company is not availing any new

work orders while awaiting clearance of its merger petition with Mukand Ltd. Company has repaid FD of Rs. 4.58 Cr until May-21 (outstanding unclaimed FD of Rs 10.95 lakhs). Further, MEL has surrendered its cash credit limits of Rs. 3.00 Crs as at October 2021. As at H1FY22 the company has Rs. 2.53 Cr as cash and equivalent. Group company (Mukand Ltd) has supported the company in the form of ICDs as and when required and is expected to continue the same. Outstanding ICD as at FYE 21 was Rs. 109.80 Crs. (FYE 20: 73.21 Crs.)

COMPANY PROFILE

MEL was incorporated in January 1987 under the name Mukand Construction and Project Engineering Company Private Limited. It was carved out of the engineering division of Mukand Limited and the latter holds around 36.11% in the Company (as on 30.09.2021). MEL is in the business of Engineering Procurement and Construction activities including project and design engineering, feasibility, planning, civil and structural work which includes mechanical, electrical, instrumentation and piping for the clients in petroleum, power generation, fertilizers, steel and aluminum manufacturing sectors.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2020	2021	H1 FY2021	H1 FY2022
Result Type		Aud.	Aud.	Un-Aud.	Un-Aud.
Operating Revenue	Rs. Cr	42.05	22.31	9.57	11.20
EBITDA	Rs. Cr	-17.48	-18.29	-10.32	-7.33
PAT	Rs. Cr	-30.18	-30.95	-15.74	-11.68
Tangible Net worth	Rs. Cr	-14.60	-46.12	-30.38	-57.83
Debt/Tangible Net worth	Times	-6.96	-2.42	-3.39	-1.97
Current Ratio	Times	0.67	0.53	0.60	0.50

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA
NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawn or suspended rating)

Instrument / Facilities	Current Rating			Rating History			
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	#Rating	23, Nov, 2020	2019		31, Mar, 2018
					21, Nov, 2019	05, Apr, 2019	
Fund Based	Long Term	0.00	Withdrawn	BWR C Reaffirmed	BWR C Downgraded	BWR B+ Credit Watch with Developing Implications Reaffirmed	BWR B+ Stable Downgraded
Non Fund Based	Short Term	47.60	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed
Fixed Deposit	Long Term	0.11	BWR FC Reaffirmed	BWR FC Downgraded	BWR FC Downgraded	BWR FB+ Credit Watch with Developing Implications Reaffirmed	BWR FB+ Stable Downgraded
Non Fund Based	Short Term	0.00	Withdrawn	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed	BWR A4 Reaffirmed
Total		47.71	INR Forty Seven Crores and Seventy One Lakhs Only				

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COMPLEXITY LEVELS OF THE INSTRUMENTS

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



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Scale](#)
- [Short Term Debt](#)
- [Services Sector](#)

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Mukand Engineers Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Short Term (₹ Cr)	Total (₹ Cr)
1	Central Bank of India	BG	47.60	47.60
TOTAL				47.60

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