November 08, 2024

Max Infra (I) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Working capital facilities	110.00	110.00	[ICRA]A- (Stable); Reaffirmed
Long-term/ Short-term – Non-fund based – Working capital facilities	800.10	800.10	[ICRA]A- (Stable)/ [ICRA]A2+; Reaffirmed
Long term – Term loan	33.02	33.02	[ICRA]A- (Stable); Reaffirmed
Total	**943.12**	**943.12**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of ratings favourably factors in Max Infra (I) Private Limited's (MIIL) improved scale of operations over the past two years to Rs. 1,484.8 crore in FY2024 from Rs. 753.21 crore in FY2022, supported by strong order inflow and healthy execution of order book. Further, the company achieved billings of Rs. 763 crore in H1 FY2025 and it is estimated to achieve revenues of more than Rs. 1,550 crore in FY2025, driven by a healthy order book of Rs. 5,522.97 crore as on September 30, 2024. ICRA notes the improvement in the operational risk profile, with projects from the Central Government agencies [such as Rail Vikas Nigam Limited (RVNL) and National Highway Authority of India (NHAI)] accounting for around 97% of its revenues in FY2024 (increased from 19% in FY2020) and 84% of the order book as on September 30, 2024 (increased from 24% as on March 31, 2020). The share of revenues from these projects is likely to remain high in the medium term. Consequently, the cash conversion cycle is expected to remain favourable amid timely receipt of payments from the Central Government agencies. The profitability margins are healthy at above 13% levels in the past 5 years owing to healthy share of revenues from tunnelling projects and it is likely to sustain in the medium term. The tunnelling projects constituted around 63% of the order book as on September 30, 2024. MIIL's strong operational track record in executing tunnelling works for irrigation and railway projects is expected to support its operations.

The ratings are, however, constrained by the sizeable equity commitment of ~Rs. 190 crore over FY2025-FY2027 towards two under-construction build-operate-transfer (BOT) hybrid annuity mode (HAM) road projects. This coupled with sizeable repayments is expected to constrain the company's liquidity position. The ratings are constrained by the limited cushion in fund-based limits in the past 12 months due to sizeable funds blocked in working capital, especially in sticky receivable and retention money from Andhra Pradesh and Telangana projects. Nonetheless, the liquidity position is supported by the flexibility in release of retention monies from RVNL projects against submission of BGs and sufficient cushion in non-fund based limits. The working capital requirements are supported by high creditors and mobilisation advances from customers. Resultantly, the leverage as reflected by TOL/TNW remained high at 1.5 times as on March 31, 2024. The company is exposed to execution risk, as ~36% of the order book is in the initial stages of execution (0-10%) as on September 30, 2024, largely contributed by the newly awarded projects. Going forward, its ability to complete the HAM projects in a timely manner, without any cost overruns will be a key rating monitorable. ICRA notes the stiff competition in the industry and tendering nature of the business, which could put pressure on new order inflows and its exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, retention money and mobilisation advances. Nevertheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

The Stable outlook reflects ICRA's opinion that MIIL will be able to sustain its scale of operations on the back of a strong order book position and its proven execution capabilities, along with timely receipt of payments from its key customers.

Key rating drivers and their description

Credit strengths

Healthy order book to support revenue growth – MIIL's revenues increased to Rs. 1,484.8 crore in FY2024 from Rs. 753.21 crore in FY2022, supported by strong order inflow and healthy execution of RVNL's projects, which contributed to ~84% of revenues in FY2024. Further, the company achieved billings of Rs. 763 crore in H1 FY2025 and is estimated to achieve revenues of more than Rs. 1,550 crore in FY2025, aided by healthy order book position of Rs. 5,522.97 crore as on September 30, 2024 (translating to 3.7 times of FY2024 revenues).

Central Government projects accounting for major share of revenues and order book supporting revenues – The share of revenues from the projects awarded by Central Government agencies such as RVNL and NHAI increased to more than 90% in the past three years from 19% in FY2020 and accounted for 84% of the pending order book as on September 30, 2024, which increased from 24% as on March 31, 2020. The share of revenues from these projects is likely to remain high in the medium term. Consequently, the cash conversion cycle is expected to remain low amid timely receipt of payments from the Central Government agencies.

Established operational track record with experienced promoters – MIIL has a strong operational track record of around two decades in executing tunnelling works for irrigation and railway projects. The profitability margins are healthy at above 13% levels over the past 5 years owing to robust revenues from tunnelling projects and the same is expected to sustain in the medium term. The tunnelling projects constituted around 63% of the order book as on September 30, 2024. MIIL's strong operational track record in executing tunnelling works for irrigation and railway projects is likely to support its operations.

Credit challenges

Increased exposure towards HAM project will entail sizeable equity commitments – The company has entered into developmental business as it has two HAM projects from the NHAI, which would entail sizeable equity commitment from MIIL and exposes it to funding and execution risks. The company has equity commitments of Rs. 250 crore towards two under-construction BOT projects, wherein it has already infused ~Rs. 60 crore as on March 31, 2024, with the balance expected to be infused over FY2025-FY2027 (~Rs. 60-65 crore each in FY2025, FY2026 and FY2027). However, any significant increase in equity commitments due to the addition of new HAM projects would remain a monitorable.

Moderate leverage indicators and liquidity position – The company has relied on interest-bearing mobilisation advances as well as extended vendor payment terms to support its working capital requirement, which resulted in a leveraged capital structure as reflected by high TOL/TNW at 1.5 times as on March 31, 2024. The equity commitments and repayments are expected to keep the liquidity position under check in the near term. It has sizeable funds blocked in working capital, especially in sticky receivable and retention money from Andhra Pradesh and Telangana projects. Nonetheless, the liquidity position is supported by the flexibility in release of retention monies from RVNL projects against submission of BGs and sufficient cushion in non-fund based limits.

High client concentration and moderate execution risks – The company's order book has high client concentration with orders from RVNL accounting for 63% of the order book as on September 30, 2024. However, satisfactory progress across all the ongoing projects from RVNL and timely realisation of bills mitigate the risk to an extent. Considering ~36% of the order book is in the initial stages of execution (0-10%) as on September 30, 2024, its ability to complete projects in a timely manner, without any cost overrun remains the key rating monitorable. The company has exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

Liquidity position: Adequate

MIIL's liquidity is adequate, driven by the timely receipt of payments from its key customers and mobilisation advances from customers. Although the average utilisation of fund-based limits remained high at 94% over the past 6 months ending September 2024, the liquidity position is supported by the flexibility in release of retention monies from RVNL projects against submission of BGs and sufficient cushion in non-fund based limits. The company has debt repayment obligations of ~Rs. 50 crore and investments of ~Rs. 60-65 crore in FY2025, which can be comfortably met from the estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA may upgrade MIIL's ratings if the company demonstrates a significant improvement in its liquidity position with a healthy cushion in cash credit limits and if the interest coverage improves to more than 4.5 times on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a significant decline in revenues or an increase in the working capital cycle adversely impacting the liquidity position. Moreover, a higher-than-expected rise in equity commitment towards BOT projects, which could materially impact its liquidity position will be a credit negative. Specific credit metrics that could result in a rating downgrade include TOL/TNW greater than 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has done limited consolidation of HAM special purpose vehicles (SPVs) factoring in the equity commitments and support towards meeting any cash flow mismatches. Refer Annexure II

About the company

Max Infra (I) Private Limited (erstwhile Max Infra (I) Limited) was formed by the merger of Max Infratech (India) Private Limited and UAN Raju Infrastructure Limited (URIL) in November 2009. Max Infratech (India) Private Limited (MIIPL) had worked on projects in areas such as earth dams, masonry dams, barrages, major canal works and open-cast mining works. Incorporated in January 1999, UAN Raju Infrastructure Limited (UANRIL) had worked in earthworks for high embankments deep cut rock excavation as well as rail and road formation tunnels, including large rock excavations and concrete lining bridges viaducts. UAN Max Infra Limited was renamed as Max Infra (I) Limited in April 2012 and later renamed to Max Infra (I) Private Limited on October 10, 2022. The entity has over two decades of expertise in irrigation and tunnel works. The company was promoted by Mr. BVVSN Raju and Dr. Phani Kumar.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income (Rs. crore)	1378.6	1484.8
PAT (Rs. crore)	84.1	92.6
OPBDIT/OI (%)	15.0%	13.5%
PAT/OI (%)	6.1%	6.2%
Total outside liabilities/Tangible net worth (times)	1.6	1.5
Total debt/OPBDIT (times)	1.2	1.2
Interest coverage (times)	3.8	4.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Source: Annual report, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022
				November 08, 2024	November 20, 2023	November 11, 2022	October 26, 2022	August 27, 2021
1	Cash credit	Long-term	110.0	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Bank guarantee	Long-term/ Short-term	800.10	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A (Stable)/ [ICRA]A2+
3	Term loan	Long-term	33.02	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/ Short-term – Bank guarantee	Very Simple
Long-term – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term – Fund-based – Working capital facilities**	-	-	-	110.00	[ICRA]A- (Stable)
NA	**Long-term/Short-term – Non-fund based – working capital facilities**	-	-	-	800.10	[ICRA]A- (Stable)/ [ICRA]A2+
NA	**Long-term – Term loan**	FY2021	-	FY2026	33.02	[ICRA]A- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Eastern Ghats Highway Project Pvt. Ltd	50.00%	Limited Consolidation
CUMBUM Expressway Private Limited	100.00%	Limited Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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