June 16, 2025

Mavani Construction: Long-term rating upgraded to [ICRA]BB- (Stable) and short-term rating reaffirmed; ratings removed from Issuer Non-Cooperating Category; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based - Cash credit	4.25	5.25	[ICRA]BB- (Stable); Upgraded from [ICRA]B+ (Stable) and removed from 'Issuer Not Cooperating' category and assigned for enhanced amount
Working capital term loan	4.95	3.14	[ICRA]BB- (Stable); Upgraded from [ICRA]B+ (Stable) and removed from 'Issuer Not Cooperating' category
Short-term – Non-fund based - Bank guarantee	13.10	29.75	[ICRA]A4; reaffirmed and removed from 'Issuer Not Cooperating' category and assigned for enhanced amount
Long-term/ Short-term – Unallocated	14.20	1.46	[ICRA]BB- (Stable)/ [ICRA]A4; Long term rating Upgraded from [ICRA]B+ (Stable) and Short-term rating reaffirmed and removed from 'Issuer Not Cooperating' category
Total	**36.50**	**39.60**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade for Mavani Construction (MC), along with the removal of the ratings from the Issuer Not Cooperating category factor in the resumption of cooperation by the firm in terms of information sharing. The ratings take comfort from its experienced management with an extensive track record in the civil construction business and reputed clientele, comprising Government entities resulting in low counterparty credit risk. The firm had an order book of Rs. 201.7 crore as on March 31, 2025, providing near-term revenue visibility (OB/OI of 1.22 times as on March 31, 2025).

The ratings, however, are constrained by the firm's weak financial risk profile, characterised by modest scale of operations (revenue of ~Rs. 165 crore in FY2025, provisional), muted profitability (OPBDITA <4%; due to high share of sub-contracting), leveraged capital structure and moderate debt coverage metrics. The ratings are constrained by the firm's concentrated order book in terms of clientele, geography and segment. Further, of the outstanding order book as on March 31, 2025, 15% of the orders are yet to start any work, and 23% of the order book have completion progress below 25% as most of these orders were recently awarded. Any slippages on project execution or profitability could have a bearing on its credit profile. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past. ICRA notes that since MC is a partnership concern, it remains vulnerable to capital withdrawals.

The Stable outlook on the long-term rating reflects ICRA's expectations that MC will benefit from its execution capabilities and established relationship with its clientele.

Key rating drivers and their description

Credit strengths

Extensive experience and track record of promoters in civil construction industry – Established in 1935, the firm has a long-standing history of executing civil construction projects for Government entities, particularly Western Railway. It specialises in Government-tendered projects such as road under bridges (RUBs), foot over bridges (FOBs), railway lines, platforms, and railway colonies.

Reputed clientele and adequate order book position providing near term revenue visibility – All of MC's past and present work orders are from Western Railway. The reputed clientele helps to mitigate the counterparty credit risks. It had an order book of Rs. 201.7 crore (1.22 times of the revenues in FY2025) as on March 31, 2025, which provides near-term revenue visibility. While it plans to bid for orders worth Rs. 340-350 crore in FY2026, the firm's ability to win these orders and timely execute the same remains crucial for an improvement in its scale of operations.

Credit challenges

Weak financial risk profile characterised by high leverage, moderate coverage and stretched liquidity – Despite YoY improvement in FY2025, the firm's scale of operations remains modest, with an operating income (OI) of Rs. 165.5 crore in FY2025 (provisional figure) vis-à-vis Rs. 127.9 crore in FY2024. The firm's profitability is low (<4% operating profit margins) due to high share (>90%) of work getting subcontracted. The leverage indicators (TOL/TNW of 3.4 times in FY2025) and debt coverage indicators (DSCR at 2.1 times and interest coverage at 2.1 times in FY2025) though improved on a YoY basis, still remained weak owing to low profitability and high debt levels as of FY2025-end. The firm's liquidity position remains stretched.

Concentrated order book in terms of clientele, geography and segment – MC's outstanding order book remains heavily concentrated in the railway bridges and cattle-fencing segments, which together account for approximately 81% of the unexecuted orders as on March 31, 2025. Although it has expanded its operations (across Gujarat, Maharashtra, Rajasthan and Madhya Pradesh), Gujarat accounted for 67% of the unexecuted order book, which exposes it to geographical concentration risk, as any disruption in the region could severely impact revenues. Additionally, MC faces client and project concentration risks, having worked exclusively with a single client - Western Railways - since its inception. The top 10 orders constitute ~72% of the unexecuted order book as on March 31, 2025. However, MC's client is a key Government authority and hence the counterparty risk is mitigated to an extent.

Risks associated with partnership concerns – Given the partnership nature of the firm, the entity remains vulnerable to capital withdrawals, which can impact its capital structure.

Liquidity position: Stretched

The firm's overall liquidity position is stretched. Its CC limits remain 93% utilised on an average basis for the last 12 months ending March 31, 2025, along with an ad-hoc sanctioned limit of Rs. 0.4 crore undertaken for the month of March in FY2025. The free cash and liquid investments balance stood at Rs. 0.6 crore as on March 31, 2025. MC has debt obligations of Rs. 2.08 crore in FY2026, which is estimated to be tightly matched with its internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its scale of operations while improving its profitability, debt coverage metrics and liquidity profile.

Negative factors – Negative pressure on the ratings could arise on account of significant decline in revenues, deterioration in operating profitability or elongation of working capital cycle impacting the company's liquidity or the overall financial profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has used limited consolidation approach for 4 JVs, under which the operational support for the ongoing projects have been considered. Further, the risk assessment of non-fund based limits of JVs given by Mavani Construction has been factored in while arriving at the ratings. The list of companies that are consolidated to arrive at the rating are given in Annexure II.

About the company

Mavani Construction (MC) was established as a proprietorship firm by Mr. Popatbhai Mavani in 1935. It was converted into a partnership firm in 1997. It is a government contractor and executes government-tendered civil construction contracts for railways like bridges, railway lines, platforms, roads, and railway colonies, etc. MC has been operating in Gujarat since its inception and has occasionally taken up contracts outside Gujarat – mainly in Rajasthan and Maharashtra. Its key customer is Western Railway.

Key financial indicators (audited)

Mavani Construction - Standalone	FY2024	FY2025*
Operating income	127.9	165.5
PAT	1.2	2.8
OPBDIT/OI	2.9%	3.7%
PAT/OI	0.9%	1.7%
Total outside liabilities/Tangible net worth (times)	5.1	3.4
Total debt/OPBDIT (times)	6.2	3.5
Interest coverage (times)	1.8	2.1

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs. crore)**	**June 16, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long-term - Cash credit - Fund-based	Long Term	5.25	[ICRA]BB- (Stable)	Sep 12, 2024	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	Jun 06, 2023	[ICRA]BB- (Stable)	-	-
Long-term/ short-term - Unallocated	Long Term/	1.46	[ICRA]BB- (Stable)/ [ICRA]A4	Sep 12, 2024	[ICRA]B+ (Stable) ISSUER NOT COOPERATING/	Jun 06, 2023	[ICRA]BB- (Stable)/ [ICRA]A4	-	-

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs. crore)	June 16, 2025	Date	Rating	Date	Rating	Date	Rating
	Short Term				[ICRA]A4 ISSUER NOT COOPERATING				
Long-term - Term loan - Fund-based	Long Term	3.14	[ICRA]BB- (Stable)	Sep 12, 2024	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	Jun 06, 2023	[ICRA]BB- (Stable)	-	-
Short-term - Others - Non-fund based	Short Term	29.75	[ICRA]A4	Sep 12, 2024	[ICRA]A4 ISSUER NOT COOPERATING	Jun 06, 2023	[ICRA]A4	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Working capital – Term loan	Simple
Bank guarantee	Very Simple
Unallocated	Not applicable

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 are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	FY2023	NA	NA	5.25	[ICRA]BB-(Stable)
NA	**Working capital – Term loan**	FY2023	NA	FY2028	3.14	[ICRA]BB-(Stable)
NA	**Bank guarantee**	FY2023	NA	NA	29.75	[ICRA]A4
NA	**Unallocated**	NA	NA	NA	1.46	[ICRA]BB-(Stable)/ [ICRA]A4

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	Mavani ownership	Consolidation Approach
MAVANI-NV-JV	51%	Limited Consolidation
MAVANI-RB CHAD JV	51%	Limited Consolidation
MAVANI-SHREEKAR JV	51%	Limited Consolidation
MIRAL-MAVANI JV	49%	Limited Consolidation

Source: Company, ICRA Research

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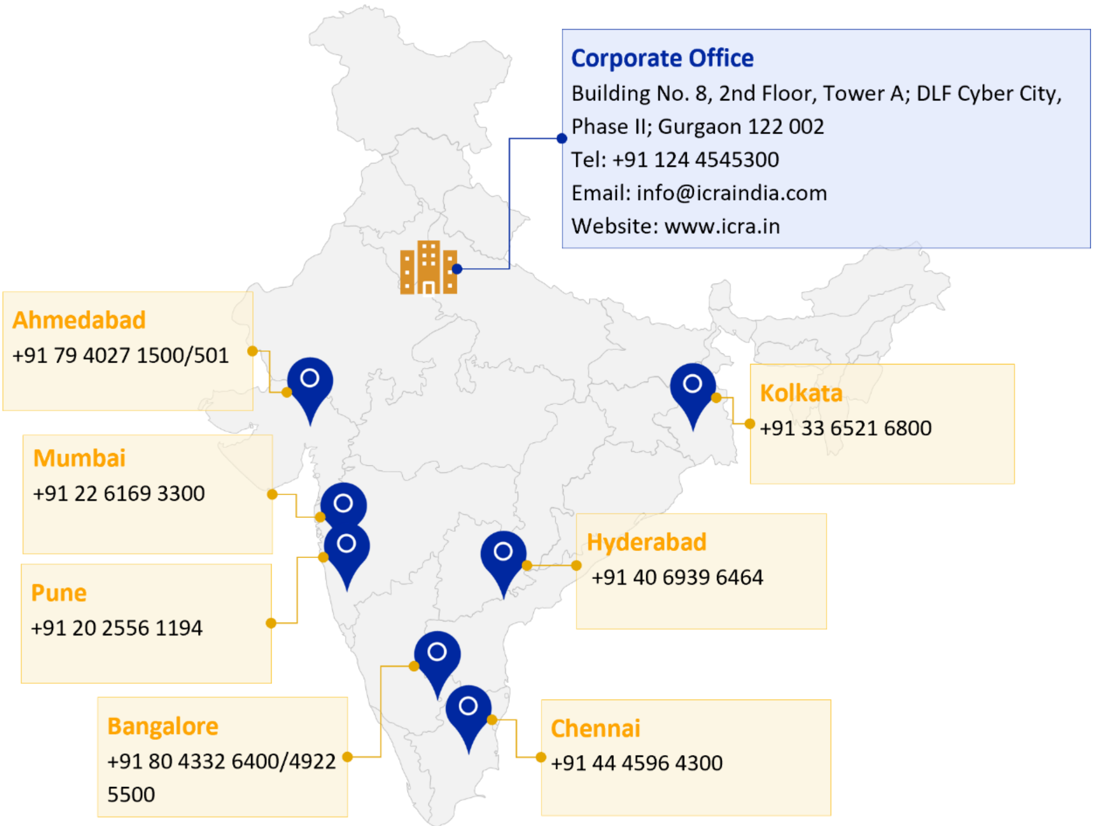

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