

## M.G. Contractors Private Limited

Instrument	Amount Outstanding	Rating Action
	Rs Crore	May 2016
Fund based limits	52.60	[ICRA]BBB (Stable); assigned
Non fund based limits	374.40	[ICRA]BBB (Stable); assigned

ICRA has assigned its [ICRA] BBB (pronounced ICRA triple B)<sup>1</sup> rating to the Rs 427.00 crore<sup>2</sup> fund-based limits and non- fund based of M.G. Contractors Private Limited (MGCP). The outlook on the rating is 'Stable'.

ICRA's rating takes into account MGCP's established track record in the construction industry, with geographically diversified operations and its experienced promoters. The rating factors in the company's strong revenue visibility, with its order book, as of January 2016, standing at Rs. 1996 crore, translating into an order book to operating income ratio of 4.44 times.. The rating also derives comfort from MGCP's healthy financial profile characterized by low gearing levels, and satisfactory debt coverage indicators. ICRA also takes note of MGCP's moderate working capital intensity (*NWC/OI stood stable at 9.2% in FY14 and FY15*) supported by funding available to the company in the form of mobilization advances thereby keeping funding requirements at moderate levels.

The rating is however constrained by the competitive pressures to which the company is exposed and the vulnerability of its profitability to raw-material price variations, as also evident in fluctuation in margins over the last few years. ICRA notes that MGCP has significant execution commitments as its current order book is sizeable as compared to the past execution pace, however the order book is diversified across various counterparties and projects. Further, the company's ability to execute the same while managing funding requirements, including capital expenditure, bank guarantees and corresponding margin money for the planned order book, over a larger operating scale remains to be seen. The rating also takes into account the high utilization levels of the company's bank limits, offset somewhat by the fact that the company has received large part of requested enhancement in its fund based and non fund bank limits respectively.

Going forward, MGCP's ability to execute its current order book in a timely manner while maintaining profitability and capital structure will be the key rating sensitivities. Further, the company's ability to maintain its working capital cycle and keep liquidity position at adequate levels, will also be key rating sensitive factors.

### Company Profile

MGCP was initially established as a partnership firm in 1989 by the name of 'M.G. Associates' which was later reconstituted as a private limited company in 1998. The company is engaged in the construction, upgradation and maintenance of roads, including state highways and rural roads. Also, the company undertakes construction of minor bridges over railways and mass earthwork. The company is in this line of business for more than 25 years and has executed many construction projects in nine states. MGCP is promoted by Mr. Kailash Mittal and Mr Atul Garg, having 3 decades of experience in the same line of business. It is registered as a 'Class 1' Government contractor with the Government of Jharkhand, Bihar, UP, Delhi and J&K.

### Recent Results

In FY2015, the company reported a net profit of Rs. 17.04 crore on an operating income of Rs. 450.70 crore, as against a net profit of Rs 6.46 crore on an operating income of Rs 211.25 crore in the previous year. As on March 31, 2016, on provisional basis, the company has achieved an operating income of Rs. 400.00 crore.

**May 2016**

<sup>1</sup> For complete rating definition please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

<sup>2</sup> 100 lakh = 1 crore = 10 million



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