

July 27, 2020

Mythri Infrastructure and Mining India Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Working Capital Facilities	40.00	[ICRA]BBB(Stable); Assigned
Non-fund Based – Working Capital Facilities	129.75	[ICRA]BBB(Stable); Assigned
Unallocated	0.25	[ICRA]BBB(Stable); Assigned
Total	170.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating favourably takes into account Mythri Infrastructure and Mining India Private Limited's (MIMIPL) healthy order book accretion (Rs. 587 crore in 9MFY2020), primarily in the mining segment, which increased the unexecuted order book value to Rs. 588.2 crore as on December 31, 2019. While the order book to operating income (for FY2020) ratio is moderate, at 1.1 times of MIMIPL, the company has many orders that are renewed on an annual basis, thereby providing revenue visibility in the medium term. The rating also favourably takes into account MIMIPL's healthy revenue growth, at a CAGR of 60%, over the four-year period to Rs. 523 crore in FY2020 from Rs. 79.6 crore in FY2016, on the back of healthy order execution of Baphilimali and Kodingamali mining projects. Limited competition in bauxite mining works, use of own mining equipment, established relationship with key clientele and local people in mining regions have supported MIMIPL's operating margins, which remained healthy, in excess of 28%, over the last three years. The rating is also supported by MIMIPL's conservative capital structure and comfortable coverage indicators, with TOL/TNW of 0.8 times, interest coverage of 30 times and Total debt/OPBITDA of 0.5 times as on March 31, 2020. The rating is also aided by experienced management, with demonstrated capabilities and extensive experience of 15 years in surface mining operations resulting in repeated orders out of longstanding client relationships.

The rating remains constrained by the likely impact of Covid-19 pandemic on the gross billing of MIMIPL in the near to medium term because of disruption in mining activities caused by restricted working condition with the need to maintain social distancing. However, due to remote location of the worksites for most of the projects, the effect of pandemic is relatively lower as reflecting in Q1FY2021 billing of Rs. 83.8 crore as against Rs. 107.1 crore of billing in Q1FY2020. In April and May 2020 on a cumulative basis, the company witnessed a 48% y-o-y decline in billing when compared to the last year; while for June 2020 on y-o-y basis, the company witnessed 20.4% growth in billing when compared to last year. The rating further remains constrained by the significant non-core investments— Rs. 38 crore in land bank (including Rs. 17 crore of land for residential real estate project developed by MIMIPL) and Rs. 79 crore (of which Rs. 20 crore was in form of loans and advances) in other corporates as on March 31, 2020. Adjusted for investments in other corporates from net worth, the TOL/adjusted TNW stands at 1.2 times as on March 31, 2020. ICRA is given to understand that around Rs. 20 crore of these investments in corporates was short term in nature and were returned to the company in April 2020. Further, ICRA is given to understand that no further investments in land bank or corporates is envisaged going forward.

The ratings take into account the high geographic and project concentration risks, with the order book largely confined to two states viz. Odisha and Jharkhand, and the top-three projects contributing 79% to the outstanding orders as on December 31, 2019. Therefore, any slowdown in the execution of these major projects or disturbances in the region of operations could affect the company's revenues. The rating is also constrained by the execution risks, with 50% of the current order book in nascent stages of execution (less than 10% execution). Moreover, these orders are yet to raise the first bill as on December 31, 2019. Hence, the ability to secure all the requisite approvals in a timely manner will be the key to growth in revenues and profitability.

Key rating drivers and their description

Credit strengths

Current order book provides medium-term revenue visibility – MIMIPL's unexecuted order book stood at Rs. 588.2 crore as on December 31, 2019. While the order book to operating income (for FY2020) ratio is moderate at 1.1 times of MIMIPL, the company has many orders that are renewed on an annual basis, thereby providing revenue visibility in the medium term.

Healthy growth in scale of operations and healthy profitability - MIMIPL's revenue grew at a CAGR of 60% over the four-year period to Rs. 523 crore in FY2020 from Rs. 79.6 crore in FY2016, on the back of healthy order execution of Baphilimali and Kodingamali mining projects. Limited competition in bauxite mining works, use of own mining equipment, established relationship with key clientele and local people in mining regions has supported the operating margins of MIMIPL which remained healthy, in excess of 28%, over the last three years.

Conservative capital structure and comfortable coverage – MIMIPL has a conservative capital structure and comfortable coverage indicators with TOL/TNW of 0.8 times, interest coverage of 30 times and Total debt/OPBITDA of 0.5 times as on March 31, 2020.

Established relationship with reputed clientele: MIMIPL's promoters have extensive experience of 15 years in surface mining operations and have established relationship with reputed clientele viz. Utkal Alumina International Ltd, Vedanta, NALCO, resulting in repeated orders.

Credit challenges

Disruption in mining activities due to Covid-19 – The Covid-19 pandemic is likely to gross billings of MIMIPL in near to medium term due to disruption in mining activities on account of restricted working condition with the need to maintain social distancing. However due to remote location of the worksites for most of the projects, the effect of pandemic is relatively lower as reflecting in Q1FY2021 billing of Rs. 83.8 crore as against Rs. 107.1 crore of billing in Q1FY2020. In April and May 2020 on a cumulative basis, the company witnessed a 48% y-o-y decline in billing when compared to the last year; while for June 2020 on y-o-y basis, the company witnessed 20.4% growth in billing when compared to the last year.

Significant non-core investments – The company has significant non-core investments —Rs. 38 crore in land bank (including Rs. 17 crore of land for residential real estate project developed by MIMIPL) and Rs. 79 crore (of which Rs. 20 crore was in form of loans and advances) in other corporates as on March 31, 2020. Adjusted for investments in other corporates from net worth, the TOL/adjusted TNW stands at 1.2 times as on March 31, 2020. ICRA is given to understand

that around Rs. 20 crore of these investments in corporates was short term in nature and were returned to the company in April 2020. Further, ICRA is given to understand that no further investments in land bank or corporates is envisaged going forward.

Geographical and project concentration risks – The geographic and project concentration risks is high with the order book largely confined to two states viz. Odisha and Jharkhand and the top-three projects contributing 79% to the outstanding orders as on December 31, 2019. Therefore, any slowdown in the execution of these major projects or disturbances in the region of operations could affect the company's revenues

Execution-related risks- The company faces execution risks, with 50% of the current order book in nascent stages of execution (less than 10% execution). Moreover, these orders are yet to raise the first bill as on December 31, 2019. Hence, the ability to secure all the requisite approvals in a timely manner will be the key to growth in revenues and profitability.

Liquidity position: Adequate

The liquidity of the company is adequate, with average fund-based utilisation of 27.2% against sanctioned limits in last 12 months and unencumbered cash balance of Rs. 49.97 crore as on June 30, 2020. Further the loan repayment for FY2021 is Rs. 37.97 crore, which can be comfortably met through cash flow from operations.

Rating sensitivities

Positive triggers – ICRA may upgrade the ratings of MIMIPL's in case there is diversification in order book, significant increase in revenues with sustained profitability, and no further elongation of cash conversion cycle.

Negative triggers – Negative pressure on MIMIPL's rating could arise if there are delays in execution of newly awarded projects, stretch in working capital cycle and/or significant increase in debt levels, leading to deterioration of leverage and coverage metrics. Any incremental non-core investments (real estate/other entities) will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Based out of Vishakhapatnam, Andhra Pradesh, MIMIPL (formerly knowns as Mythri Infra) was set up as partnership firm. Its operations started in 2015 and is promoted and managed by Mr. T Srinivasa Rao and Mr. T Balapavan. The firm got converted to a private limited company in December 16, 2019. The company majorly undertakes contracts for mining activities, extraction and transportation of minerals. The company has expertise in open-cast mining and offers end-to-end mining solutions. Utkal Alumina International Ltd, Vedanta, NALCO, MECON (rated [ICRA]BBB (Stable)) are some of the major clients for the company. As on December 31, 2019, the company had an outstanding order book of Rs. 588.24 crore, which translates to 1.1 times of FY2020 revenues.

In FY2020, on a provisional basis, the company reported a net profit of Rs. 105.3 crore on an operating income of Rs. 523 crore compared to a net profit of Rs. 84.5 crore on an operating income of Rs. 326 crore in the previous year.

Key financial indicators

	FY2019	FY2020*
Operating Income (Rs. crore)	326.0	523.0
PAT (Rs. crore)	84.5	105.3
OPBDIT/OI (%)	45.5%	32.5%
PAT/OI (%)	25.9%	20.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.0	0.8
Total Debt/OPBDIT (times)	0.4	0.5
Interest Coverage (times)	29.4	30.0

Source: MIMIPL; *Provisional numbers

Status of non-cooperation with previous CRA: ACUTE BB+(Stable)/A4+ Issuer not cooperating; rationale published on May 14, 2020

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
	Type	Amount Rated	Amount Outstanding	Rating 27-July-2020	FY2020	FY2019	FY2018
1 Cash Credit	Long Term	40.00	-	[ICRA]BBB(Stable)	-	-	-
2 Bank guarantee	Long Term	129.75	-	[ICRA]BBB(Stable)	-	-	-
3 Unallocated limits	Long Term	0.25	-	[ICRA]BBB(Stable)	-	-	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	40.00	[ICRA]BBB(Stable)
NA	Bank guarantee	NA	NA	NA	129.75	[ICRA]BBB(Stable)
NA	Unallocated limits	NA	NA	NA	0.25	[ICRA]BBB(Stable)

Source: MIMIPL

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