

Rating Advisory February 19, 2019 | Mumbai

Cmm Infraprojects Limited

Advisory as on February 19, 2019

This rating advisory is provided in relation to the rating of Cmm Infraprojects Limited

The key rating sensitivity factors for the rating include:

- Sustained order flow and execution
- Adverse changes in government policies
- Timely realisation from debtors
- Time and cost overruns in completion of projects
- Diversification of revenue profile

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Cmm Infraprojects Limited (CMMIPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If CMMIPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

CMM Infra projects Limited (CMMIL) was established in year 1979 as a partnership company named C.M. Mundra & Co and was incorporated as public limited company in 2006. The Company has been promoted by Mr. Kishan Mundra and family members.

CMMIL is catering to diversified Infrastructure segments. The company currently caters to construction of commercial & institutional buildings, roads & bridges, canal and irrigation works.

CMMIL has a head office in Indore, Madhya Pradesh and branch offices in Maharashtra (Nagpur), Orissa, Goa, Rajasthan, Bihar, Assam and Chhattisgarh.

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Rating Rationale

May 03, 2018 | Mumbai

Cmm Infraprojects Limited

Rating outlook revised to 'Positive'; ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.130 Crore
Long Term Rating	CRISIL BBB-/Positive (Outlook revised from 'Stable' and rating reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revised the outlook on the long-term rating of Cmm Infraprojects Limited (CMMIPL) to '**Positive**' from 'Stable' while reaffirming the long-term rating at '**CRISIL BBB-**' and the short-term rating at 'CRISIL A3'.

The revision in outlook reflects CRISIL's belief that CMMIPL will sustain its improved business risk profile over the medium term backed by healthy visibility of revenue growth and sustenance of operating profitability. CMMIL has successfully listed on the NSE in September 2017. Post infusion of the equity, capital structure of the company is benefited substantially. The ability of the company to further improve its financial risk profile particularly its liquidity marked by additional cushion in bank lines would be a key rating sensitivity factor.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience and technical expertise of the promoters with diversified geographical & operational presence:** CMMIL has been promoted by Mundra family, the promoters are well qualified technically and have more than decades of experience in project handling and commissioning. CMMIL has been operational as a civil contractor for more than four decade and due to the technical expertise of its promoters and proven track record of operations. Since the initial promoters of CMMIL are engineers and have vast experience in project handling and commissioning, CMMIL has benefitted from the same and allow them to operate at diversified geographies which has provided it the flexibility to shift from one project to another without significant costs associated with transporting and maintaining the machinery.

* **Healthy order-book position providing revenue visibility:** The Company has an outstanding order book of more than 4 times of revenue in fiscal 2018. The revenue profile of the company is also diversified w.r.t to presence in various States ' Madhya Pradesh, Uttar Pradesh, Orissa and Goa. Since the initial partner of CMMIL are Electrical and Civil engineers and have vast experience in project handling and commissioning, CMMIL has benefitted from the same and allow them to operate at diversified geographies which has provided it the flexibility to shift from one project to another without significant costs associated with transporting and maintaining the machinery.

Weakness

* **Tender-based nature of business leading to low operating profitability:** Operating margin was modest at 5% in fiscal 2016. This is on account of intense competition at the bidding stage. Moreover, the construction industry in India is highly fragmented on account of the presence of a large number of players executing small projects, and therefore, is intensely competitive. The pre-bid qualifying criteria and cost competitiveness has to be maintained to ensure healthy work order flow in the sector. Significant competition may adversely impact the credit risk profile by constraining the revenue and margins. For majority of the projects, there is an in-built price escalation clause that allows to pass on the increase in raw material prices to customers.

Outlook: Positive

CRISIL believes that the CMMIL will maintain its benefit from its healthy order-book in hand and promoters' established track record in the industry. The outlook may be revised to 'Positive' if there is a significant improvement in its revenues resulting in higher profitability and higher-than-expected accruals. Conversely, the outlook may be revised to 'Negative' if CMMIL registers lower-than-expected revenues or registers a decline in profitability or undertakes a larger-than-expected debt-funded capital expenditure (capex) programme resulting in deterioration in its financial risk profile.

About the Company

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CMMIL has a head office in Indore, Madhya Pradesh and branch offices in Maharashtra (Nagpur), Orrisa, Goa, Rajasthan.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	196.97	173.65
Profit After Tax	Rs. Cr.	5.88	2.31
PAT margin	%	3.0	1.3
Adjusted Debt/Adjusted Net worth	Times	1.6	1.7
Interest coverage	Times	3.5	2.4

Status of non cooperation with previous CRA

CMMIL has not cooperated with SMERA Ratings Limited which has classified it as non-cooperative vide release dated 22-August-2017. The reason provided by SMERA Ratings Limited is non-furnishing of information required for monitoring of ratings.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	100	CRISIL A3
NA	Cash Credit	NA	NA	NA	30	CRISIL BBB-/Positive

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Fund-based Bank Facilities	LT/S T	30.00	CRISIL BBB- /Positive			31-05-17	CRISIL BBB- /Stable		--		--	--
Non Fund-based Bank Facilities	LT/S T	100.00	CRISIL A3			31-05-17	CRISIL A3		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	100	CRISIL A3	Bank Guarantee	100	CRISIL A3
Cash Credit	30	CRISIL BBB- /Positive	Cash Credit	30	CRISIL BBB- /Stable
Total	130	--	Total	130	--

Links to related criteria

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