



## Press Release

**PSR Infrastructures  
August 22, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1	Bank Facilities-Long Term	15.00	IVR B+;Stable (IVR B Plus with Stable outlook)	Assigned
2	Proposed Bank Facilities-Short Term	5.00	IVR A4 (IVR A Four)	Assigned
	<b>Total</b>	<b>20.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of PSR Infrastructures derives comfort from its experienced promoters, reputed clientele with proven project execution capability, majority of fleet of equipment is owned by PSR; leading to operational efficiency and strong order book reflecting satisfactory medium term revenue visibility. The rating also considers susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause, moderate capital structure and debt protection metrics; tender-based nature of operations with intense competition in the industry. The ratings also consider its moderate working capital intensity.

### Key Rating Sensitivities:

#### Upward Rating Factors

- Sustenance of growth in scale of operations with improvement in profitability
- Steady flow of orders & timely execution of the same on a sustained basis

#### Downward Rating Factors

- Elongation in working capital cycle
- Moderation in the capital structure

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- Experienced Promoters



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The promoter has more than two decades of experience in the civil construction business, which has helped him to understand local market dynamics and established relationships with customers and suppliers.

- **Reputed clientele with proven project execution capability**

Over the years, the firm has successfully completed many projects across the states for various medium to large government companies and departments. The firm has major focus in executing irrigation projects. PSR bids for tenders floated by various entities. The repeat orders received from its clientele validate its construction capabilities.

- **Majority of fleet of equipment is owned by PSR; leading to operational efficiency**

PSR has continuously added to its fleet of plant and machinery to complete the orders on time. The firm has a large fleet of owned equipment including dumpers, tankers, crushers, transit mixers, loaders, excavators and specialized equipment for performing specialized jobs.

- **Strong order book reflecting satisfactory medium term revenue visibility**

PSR had a healthy order book of ~Rs.343 crore as on June 30, 2020 (8.33x the revenue for FY20) which provides healthy revenue visibility over the medium term.

### **Key Weaknesses**

- **Susceptibility of operating margin to volatility in input prices albeit comfort due to presence of escalation clause**

Major raw materials used by the firm steel, cement (for masonry dams) and high fuel and labour charges (for earthen dams) which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the firm remains susceptible to fluctuations. However, a presence of escalation clause in most of the contracts imparts comfort to an extent.

- **Moderate capital structure and debt protection metrics;**

PSR has a moderate capital structure marked by an overall gearing ratio of 3.51x as on March 31, 2020 as compared to 4.72x as on March 31, 2019. The firm's debt protection metrics are moderate market by TOL/TNW of 4.23x as on March 31, 2020.

- **Tender-based nature of operations with intense competition in the industry**

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Profit margin of the firm may come under pressure because of



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this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

- **Moderate Working Capital intensity**

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. Further, most of its construction works and consequent billings are skewed towards last two quarters which led to high debtors outstanding as on the last date of the financial year and resulted in high average collection period.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Adequate**

The liquidity profile of PSR is expected to remain adequate marked by its adequate cash accruals of ~Rs.3.72 crore vis-a-vis its debt repayment obligations aggregating to ~Rs. 2.83 crore in FY20. The average utilization of its fund based limits of the firm during the past twelve months January, 2020 remained fully utilized at ~100%.

**About the firm**

PSR Infrastructure formerly known as PSR Constructions a leading infrastructure Company was incorporated in 1999 at Nellore, Andhra Pradesh. The firm is engaged in civil construction, infrastructure and irrigation works as a subcontractor. The firm is registered as a Class 1 contractor with Irrigation Department, Govt. of Bihar.

**Financials (Standalone):**

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	41.98	41.16
EBITDA	6.03	6.71



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For the year ended* As on	31-03-2019	31-03-2020
PAT	1.43	1.35
Total Debt	38.33	33.21
Tangible Net worth*	8.13	9.46
EBITDA Margin (%)	14.37	16.30
PAT Margin (%)	3.41	3.29
Overall Gearing Ratio (x)^	4.72	3.51

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Secured Overdraft	Long Term	15.00	IVR B+;Stable	-	-	-
2.	Proposed Short Term Fund Based/Non Based Bank Facility	Short Term	5.00	IVR A4	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Secured Overdraft	-	-	-	15.00	IVR B+;Stable
Proposed Short Term Fund Based/Non Fund Based Bank Facilities	-	-	-	5.00	IVR A4