



Press Release

PMR Construction Company

March 10, 2023

Ratings:

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities	20.00 (Increased from 5.00)	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Revised	Simple
Short Term Non-Fund Based Bank Facilities	20.00 (Increased from 15.00)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	40.00	(Rupees Forty Crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the long term ratings assigned to the bank facilities of PMR Construction Company is on account of decline in scale of operations and profitability in FY22 on Y-o-Y basis as well as due to reporting of lower than envisaged total operating income and profitability in FY22.

The ratings continue to draw comfort from its experienced promoters and top management, reputed clientele, order book position reflecting satisfactory medium-term revenue visibility and satisfactory capital structure.

However, the ratings strengths are partially offset by decline in scale operations with moderate profitability, concentration Risk, tender-based nature of operations with intense competition in the industry and risks associated with the constitution.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure.



Press Release

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Top Management

The firm was founded by Mr. Alavi Haji, who has an extensive experience of over 40 years in the business. The top management of the firm is also highly experienced with almost two decades of experience which has enabled the firm to build good relations with suppliers and customers.

Reputed clientele

PMR Construction bids for tenders floated by various government departments/entities and also caters to private players. Over the years of its operations, the firm has established a strong business relationship with various government departments as well as private clients. PMR has worked on various civil projects for government entities like, National Highway Authority, PWD etc.

Order book position reflecting satisfactory medium-term revenue visibility

PMR Construction had unexecuted orderbook amounting to ~Rs.165 Crore as on 09-Mar-2023. These orders as per management are to be executed in next 30 months.

Satisfactory capital structure

The Tangible Net-Worth of the firm is Rs. 18.48 Crore as on 31-Mar-2022. The Overall Gearing Ratio of the firm as on 31-Mar-2022 is 0.46x (as on 31-Mar-2021: 0.63). The total indebtedness of the firm as reflected by TOL/TNW is 1.04x as on 31-Mar-22 (as on 31-Mar-2021: 1.70). The debt protection metrics stood comfortable marked by Interest Coverage



Press Release

Ratio of 8.15 times in FY22 (FY21: 7.46). Total Debt to GCA stood moderate at 2.99 years in FY22 as against 2.29 years in FY21.





Press Release

Key Rating Weaknesses

Decline in scale operations with moderate profitability

TOI of PMR Construction Company has declined Y-o-Y by 47% in FY22 i.e. from Rs. 70.69 Crore in FY21 to Rs. 37.73 Crore in FY22. The TOI declined significantly due to lower execution of orders in FY22 as compared to FY21.

EBITDA of PMR Construction Company declined Y-o-Y by 37% i.e. from Rs. 7.14 crore in FY21 to Rs. 4.50 Crore in FY22 and PAT also declined Y-o-Y by 57% i.e. from Rs. 3.15 Crore in FY21 to Rs. 1.35 Crore in FY22.

Gross Cash Accrual of the firm declined Y-o-Y by 29% i.e. from Rs. 3.98 Crore in FY21 to Rs. 2.84 Crore in FY22.

The profitability margins of the firm like EBITDA margin improved by 182bps in FY22 i.e. from 10.10% in FY21 to 11.93% in FY22. The operating margins improved due to higher margin earned on executed projects.

However, PAT margin moderated by 88bps in FY22 i.e. from 4.44% in FY21 to 3.56% in FY22. This declined due to higher amount of depreciation charged in FY22 as compared to FY21.

Concentration Risk

The firm has geographical concentration risk as its operations are restricted to the state of Kerala only. The entire revenue of Rs. 37.73 Crore earned in FY22 was from projects executed in the state of Kerala.

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. Further, PMR Construction receives most its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the firm may come under pressure because of this competitive nature of the industry. However, the promoter's long industry presence imparts comfort.



Press Release

Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the firm in the sector.

Major raw materials used in civil construction activities are steel & cement and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the firm is subject to fluctuation in raw material prices & labour (including subcontracting) cost. However, presence of price variation clause on eligible project mitigates the risk to some extent.

Risks associated with the constitution

PMR Construction Company being a partnership firm is prone to risk of capital withdrawal and any significant withdrawal of capital by the partners may weaken its net worth base and impact the capital structure.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity – Adequate

PMR Construction Company's liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization for the last 12 months ended January 2023 stood at 46% for its fund-based limits and 44% for its non-fund based limits. The Current Ratio of the firm stood at 1.72x as on 31-Mar-2022 as against 1.58x as on 31-Mar-2021 and



Press Release

its operating cycle was 22 days in FY22 (64 days in FY21). The unencumbered cash and bank balance as on 31-Mar-2022 is Rs. 0.23 crore.

About the Firm

PMR group is a full-service construction firm founded in 1970 providing infrastructure solutions for public and private clients primarily in Kerala. Within the public sector, they primarily concentrate on heavy-civil infrastructure projects including the constructions of streets, roads, highways mass transit facilities, airport infrastructures, bridges, trenchless and underground utilities, power related facilities, water related facilities, utilities, tunnels, dams and other infrastructure related projects. Within the private sector, they perform site preparation and infrastructure services for residential development, commercial and industrial sites, and other facilities, as well as provide construction management professional services.

Financials (Standalone):

For the year ended*/ As on	(Rs. Crore)	
	2021 Audited	2022 Audited
Total Operating Income	70.69	37.73
EBITDA	7.14	4.50
PAT	3.15	1.35
Total Debt	9.13	8.49
Tangible Net Worth	14.58	18.58
EBITDA Margin (%)	10.10	11.93
PAT Margin (%)	4.44	3.56
Overall Gearing Ratio (x)	0.63	0.46

* Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: ICRA vide its Press Release dated 31-Oct-2022 has kept the ratings under non-cooperation category.

Any other information: Not Applicable

Rating History for last three years:

Sr.	Name	of	Current Ratings (Year 2022-23)	Rating History for the past 3 years
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Press Release

		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dec 13, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Sep 18, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	10.00	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	--
2.	GOK – Bill Discounting	Long Term	10.00	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	--
3.	Bank Guarantee	Short Term	20.00	IVR A4+	IVR A4+	IVR A4+	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Press Release

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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
Cash Credit	-	-	-	10.00	IVR BB/ Stable
GOK – Bill Discounting	-	-	-	10.00	IVR BB/ Stable
Letter of Credit	-	-	-	20.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-PMRConstruction-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.