



Press Release

Prasad and Company (Project Works) Private Limited

October 09, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	35.00 (including proposed limit of 10.00)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	253.00 (including proposed limit of 97.66)	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	288.00 (Rupees two hundred and eighty-eight crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Prasad and Company (Project Works) Private Limited (PCPWPL) derives comfort from its long track record of operation under experienced promoters, proven project execution capability and adequate order book position reflecting satisfactory near to medium-term revenue visibility. The ratings also consider stable business performance of the company marked by healthy revenue along with moderate profitability and comfortable financial risk profile marked by comfortable capital structure and moderate debt protection metrics. However, these rating strengths are partially offset by susceptibility of operating margin to volatile input prices, tender driven nature of business with presence in highly competitive industry, exposure to group companies and working capital intensive nature of its operation.

The stable outlook reflects the Government's focus on improving infrastructure which is expected to aid the business growth of the company in the medium to long term.

Key Rating Sensitivities:

Upward Factors



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- Growth in scale of operation with improvement in profitability on a sustained basis and reduction in group company exposure
- Sustenance of the capital structure with further improvement in debt protection metrics
- Sustained improvement in the working capital management leading to improvement in working capital cycle and consequent improvement in liquidity
- Significant reduction in long pending debtors

Downward Factors

- Dip in the revenue and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure with moderation in overall gearing to over 1.5x
- Moderation in liquidity marked by elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operation under experienced promoters

PCPWPL was established in 1963 as a partnership firm by Late Mr. Sagi Ramakrishna Raju. Later in March 1983, PCPWPL was reconstituted as a private limited company. Thus, the entity has long standing track record of over six decades in civil construction business. The promoters' experience along with their strong understanding of construction industry and healthy relationship with customers and suppliers is expected to continue to support the business. All the promoters together look after the overall operation of the company along with adequate support from team of qualified professionals.

Proven project execution capability

Over the past years, PCPWPL has successfully completed many projects across the state of Andhra Pradesh, Telangana, and Maharashtra and ensured timely completion of all its projects. The repeat orders received from the government entities validate its construction capabilities.

Adequate order book size reflecting satisfactory near to medium-term revenue visibility



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As on August 31, 2024, PCPWPL has an unexecuted order book of Rs.1383.38 crore, which is ~2.20x of FY24 (Prov.) (FY refers to the period from April 01 to March 31) revenue. Besides, it has two L1 orders aggregating to Rs.213.33 crore, including which its order book stands at Rs.1596.71 crore as on August 31, 2024, which is ~2.54x of FY24 (Prov.) revenue. All the orders are executable in upcoming next 24-36 months and provides healthy revenue visibility over the near to medium term.

Stable business profile marked by healthy revenue and moderate profitability

The total operating income (TOI) of PCPWPL has witnessed an erratic trend over the last three fiscals (FY22 (Audited) - FY24 (Prov.)). The TOI has increased by ~15.66% in FY23 to Rs. 677.44 crore from Rs.585.72 crore in FY22, driven by higher execution of orders. Despite successful execution of orders, TOI of PCPWPL moderated in FY24 (Prov.) by ~7% to Rs. 629.14 crore from Rs.677.44 crore in FY23, since invoice was not raised to concerned authorities therefore revenue was not booked in the fiscal year. The EBITDA margin of the company remained moderate within a range of 5%-6% over the past three fiscals. Moreover, the PAT margin also remained moderate in the range of 1.5%-2.5% during the aforesaid period. Further, notwithstanding the decline in absolute EBITDA, the PAT margin has improved from 1.85% in FY23 to 2.50% in FY24 (Prov.) on the back of decline in interest and finance charges.

Comfortable capital structure with moderate debt protection metrics

The capital structure of the company remained comfortable over the past three fiscal years mainly on the back of its healthy net worth base. However, PCPWPL has investment in its group and associates' companies of around Rs.41.51 crore as on March 31, 2024 (Prov.). Further, the company has outstanding debtors of Rs.95.04 crore for more than three years (Majorly pending with various government departments, government companies). The adjusted tangible net worth (ATNW) of the company excluding the investment in group companies and outstanding debtors for more than three years stood healthy at Rs.354.38 crore as on March 31, 2024 (Prov.). The leverage ratios also stood satisfactory marked by overall gearing of 0.24x as on March 31, 2024 (Prov.), against 0.37x as on March 31, 2023. The improvement in gearing is driven by accretion of profit to reserves coupled with scheduled repayment of term loans and lower utilization of bank borrowings as on the



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balance sheet date. Overall indebtedness of the company as reflected by TOL/ATNW has also remained satisfactory at 0.93x as on March 31, 2024 (Prov.) (1.21x as on March 31, 2023). The debt protection metrics of the company also remained moderate marked by interest coverage of ~2x over the aforesaid period. Furthermore, Total Debt/EBITDA and Total debt/NCA have improved to 2.42x and 4.06 years respectively as on March 31, 2024 (Prov.) against 3.13x and 4.89 years respectively as on March 31, 2023, on the back of reduction in debt level.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are stone, asphalt/bitumen, cements and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

Tender driven nature of business with presence in highly competitive industry

The company participates in the tender passed by the government for civil construction projects. Hence, the entire business prospects are highly dependent on the government policies and tenders floated by the government. Further, the construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players.

Exposure to group companies

The company has high exposure to its group companies in the form of investment of Rs. 41.51 crore. Exposure to group companies restricts the credit risk profile of the company to an extent.

Working capital intensive nature of operations

The operation of the company remained working capital intensive over the past three years marked by its elongated operating cycle of 119 days in FY24 (prov.) (108 days in FY23)



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driven by average collection period of 98 days in FY24 (Prov.) (98 days in FY23). However, the company has significant amount of money blocked as retention money. Including the same, the debtor's collection period stood at 114 days in FY24 (Prov.), resulting in operating cycle of 136 days in FY24 (prov.). The company has large amount of debtors outstanding for more than three years. Realisation from such long pending debtors is a key rating monitorable. However, the average working capital limit utilisation for past 12 months ended July 2024 remains low at ~49% indicating adequate liquidity cushion for the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company earned gross cash accrual of Rs. 21.05 crore to serve its debt obligation of Rs. 1.55 crore in FY24 (Prov.). The liquidity profile of PCPWPL is expected to remain adequate as the company is expected to generate adequate gross cash accruals in the range of Rs.25.86 crore- Rs.31.69 crore to serve its negligible debt obligations in the range of Rs.0.63- Rs.1.24 crore during FY25-FY27. Moreover, the current ratio also remained comfortable at 3.44x as on March 31, 2024 (Prov.). Further, the average fund-based utilization of the company remained low at ~49% during the past 12 months ended in July 2024 indicating adequate liquidity buffer for the company.

About the Company

Prasad and Company (Project Works) Private Limited (PCPWPL) was established in 1963 as a partnership firm by Late Mr. Sagi Ramakrishna Raju. Later in March 1983, PCPWPL was reconstituted as a private limited company. PCPWPL specializes in irrigation and civil construction projects, and operates particularly in Andhra Pradesh, Telangana, and Maharashtra. The company executes projects on its own or through joint ventures. Initially, the company focused on state and central government irrigation projects however, PCPWPL expanded its expertise in power projects, roads and highways, and building and housing



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segments. PCPWPL has constructed dams, aqueducts, bridges, barrages, canals, and other monumental structures.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	677.44	629.14
EBITDA	39.43	35.26
PAT	12.70	15.96
Total Debt	123.41	85.43
Tangible Net Worth	474.05	490.92
Adjusted Tangible Net Worth	337.34	354.38
EBITDA Margin (%)	5.82	5.60
PAT Margin (%)	1.85	2.50
Overall Gearing Ratio (x)	0.26	0.17
Adjusted Overall Gearing Ratio (x)	0.37	0.24
Interest Coverage (x)	2.11	1.99

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Cash Credit	Long Term	25.00	IVR BBB-; Stable	-	-	-
2.	Proposed Cash Credit	Long Term	10.00	IVR BBB-; Stable	-	-	-
3.	Bank Guarantee	Short Term	155.34	IVR A3	-	-	-
4.	Proposed Bank Guarantee	Short Term	97.66	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	25.00	IVR BBB-; Stable
Proposed Cash Credit	-	-	-	-	10.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	155.34	IVR A3



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Proposed Bank Guarantee	-	-	-	-	97.66	IVR A3
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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Prasad-and-Company-9oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

