



## Press Release

### P&R Infraprojects Limited

June 22, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities	25.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short term Bank Facilities	105.00	IVR A3 (IVR A Three)	Reaffirmed
<b>Total</b>	<b>130.00</b> <b>(INR One Hundred &amp; Thirty Crores Only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings reaffirmed to the long-term & short-term bank facilities of P&R Infraprojects Limited (**“PRIL” or “the Company”**) continues to derive comfort from its long track record of operation, along with its proven project execution capability with its long track record of operations with proven project execution capabilities backed by sound engineering acumen and backward integration initiatives taken by the company. The rating also factors in its moderate order book position reflecting satisfactory near to medium term revenue visibility from its reputed clientele, continues its comfortable capital structure with satisfactory debt protection metrics and prudent working capital management. These rating strengths are partially offset by moderation in revenues in FY2021, vulnerability of profitability to adverse fluctuation in raw material prices, presence in highly fragmented & competitive construction sector, working capital intensive nature of operation marked by elongated collection period, tender driven nature of operation restricting the profit margins in the backdrop of high competition from other players in the industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Sustenance of the capital structure.
- Manage working capital requirements efficiently with improvement in liquidity position.



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### **Downward Factors**

- Any deterioration in debt protection metrics and/or liquidity profile.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters:**

The promoter, Mr. Paveljeet Singh Ruppal (Managing Director) B. Tech (Mechanical) by qualification has around three and a half decades of experience in the construction sector. Mr. Paveljeet Singh Ruppal looks after Finance/ Technical and Marketing departments of the company. Mr. G.S. Ruppal (Whole-Time Director) is FIE (C) M.I. Structure (London), ME (M) FIV, FIBE, FICC, FICA by qualification and has around four decades of experience in the construction sector, looking after Technical and Projects departments of the company. Mrs. Pradeep Kaur Ruppal (Whole-Time Director) is M.Sc. (Space Physics) by qualification and has more than two and a half decades of experience in the construction sector, looking after HR and Administration departments for the company. The directors are well supported by a team of experienced and qualified professionals.

##### **Long track record of operations with sound engineering acumen with proven project execution capability:**

Being in operation since 1986, the company has a vast track record of more than three decades. Over the years, the company has acquired strong engineering acumen through its successful operations and completed over 200 large, medium and small-sized projects for Thermal Power Plants, Hydro-Power Plants, Penstocks, Chimneys, Cooling Towers, Storage Tanks, Bridges, Flyover, Stadiums, etc. across the states of Odisha, West Bengal, Uttar Pradesh, Jammu & Kashmir, Himachal Pradesh, Delhi, Bhutan, Sikkim, Kerala, Maharashtra, Uttarakhand, Andhra Pradesh and Punjab ensuring timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

##### **Backward integration initiatives:**

PRIL has its own steel structure manufacturing facility in Punjab. Having its own facility boost the profitability of the company.



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### **Reputed clientele:**

PRIL bids for tenders floated by various government departments/entities and also caters to private players. Moreover, the company also works as a sub-contractor for other contractors. The Company has delivered projects for reputed names including but not limited to Engineers India Limited, NTPC, BHEL, NALCO, NBCC, NHPC, TEXMACO, TSL, HPCL, DVC, PSEB, KeSEB, MeSEB, J&K-PDC, L&T, ERA (I), TRIDENT, U.B. Engineering, GAMMON India, AFCONS, HCC, Shapoorji & Pallonji, JMC, GVK, SOMA, C&C, etc. Over the years of its operations the company has established a strong business relationship with various government departments as well as private clients.

### **Strong order book position reflecting satisfactory medium-term revenue visibility:**

The company has a strong unexecuted order book of Rs.308.33 crore as on April 30, 2021, which is about 1.72x of its FY20 (audited) & 2.10x of FY21 (Prov.), construction revenue (i.e.Rs.139.61 crore & Rs.146.87 crore). The orders are expected to be completed within next one-two years, indicating a satisfactory near to medium term revenue visibility.

### **Healthy profitability:**

The financial risk profile of the company remained comfortable marked by its comfortable capital structure and satisfactory debt protection metrics backed by healthy profitability. Over the past three years the company has maintained a healthy profitability marked by satisfactory EBITDA margin, healthy PAT margin and comfortable gross cash accruals. In FY20, PRIL witnessed a healthy EBITDA margin of 12.90%. The healthy profit margin was mainly on account of consistent cost control and efficiency measures stipulated by the Company. Also in past, the Company did certain capital expenditure at its plant and machinery and back-end infrastructure which has reduced the operating overheads and brought in efficiency. Driven by healthy EBITDA margin, the PAT margin also remains healthy at 3.52% in FY2020. Further, in FY2021 (Provisional), PRIL achieved a PBT of Rs.7.34 crore on a total operating income of Rs.146.87 crore whereas the EBITDA margin and the PBT margin stood at 14.69% and 5.00% respectively in FY2021.

### **Comfortable capital structure with healthy debt protection metrics:**

The overall gearing of the company stood comfortable at 0.38x as on March 31, 2020 (PY: 0.43x as on March 31, 2019). The overall gearing incl. interest bearing mobilization



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advances stood satisfactory at 0.42x as on March 31, 2020. The debt protection indicators of the company like interest coverage have remained above 2.80x for the past 3 financial years (FY18-FY20) and stood satisfactory at 2.89x in FY20. Total Debt/GCA though reduced from 2.75 years in FY19 to 2.65 years in FY20 mainly due to decrease in borrowings continued to remain satisfactory. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 1.41x as on March 31, 2020.

### **Key Rating Weaknesses**

#### **Moderation in the scale of operation during FY21 though growth expected in FY22:**

PRIL witnessed moderation in its scale of operation and the total operating income deteriorated from Rs.179.29 crore in FY20 to Rs.146.87 crore in FY21. The moderation was due to lower execution of work due to covid restrictions and company's strategy to complete the existing high value large contracts to gain eligibility for similar contracts in future instead of aggressive bidding for new contracts. However, on successful completion of high value large contracts the company gained big ticket contracts during FY20 & FY21 and achieved a healthy order book position. Infomerics expects healthy growth in PRIL's business in FY22.

#### **Susceptibility of operating margin to volatile input prices:**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labor (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labor (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labor (including sub-contracting) cost. However, presences of price escalation clause (for raw materials) in almost all of the contracts protect the margin to a great extent.

#### **Highly fragmented & competitive nature of the construction sector with significant price war:**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be



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healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

**Working capital intensive nature of operation marked by elongated collection period:**

Construction business, by its nature, is working capital intensive as large part of working capital remains blocked as earnest money deposits and retention money. Further, the company's revenue is skewed towards the last two quarters with higher proportion in the last quarter of the fiscal. Consequently, the year-end receivables generally remained high. The collection period remained high and deteriorated to 142 days in FY20 (190 days in FY19) mainly due to higher execution of work in Q4FY20. The working capital requirement of the company is mainly funded through credit period availed from its creditors based on its established relationship, need based mobilization advances availed and through bank borrowings. Further, the company has a strategy to take up short to medium duration contracts and optimize the execution time to realize the payments faster in order to manage working capital requirements efficiently. Average utilization of fund-based limit of PRIL is around ~83.13% for the trailing 12 months ended April, 2021.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

**Liquidity –Adequate**

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash and bank balance of Rs.19.15 crore as on March 31, 2020. Further, the company has no planned capex for next two fiscal or availment of long-term debt plan which imparts comfort. Its bank limits are utilized to the extent of 83.13% during the past 12 months ended April 30, 2021. The liquidity position of the company is supported by its above unity current ratio.

**About the Company**





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Mr. Paveljeet Singh Ruppal initially formed P&R Infraprojects Limited (PRIL) as a private limited company named, P&R Engineering Services (P) Ltd. in 1986. The company was engaged in fabrication and erection of Structural Steel Engineering, Thermal & Hydro Power Projects & Civil Projects. In 2005, it was reconstituted into a limited company with the name and style of P&R Infraprojects Limited. Currently the company provides civil and mechanical work in the power sector and designing, erection and construction work for infrastructure projects mainly designing, fabrication and erection of heavy structural steel work of all nature and magnitude for Thermal Power Projects, Hydro Power Projects, Bridges, Building Structures, Stadium, etc.

### Financials (Standalone):

	(Rs. In Crore)	
For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	139.60	179.29
EBITDA	21.44	23.12
PAT	6.13	6.38
Total Debt	32.07	30.40
Tangible Net worth (Book TNW)	74.07	80.46
EBITDA Margin (%)	15.36	12.90
PAT Margin (%)	4.35	3.52
Overall Gearing Ratio (x)	0.43	0.38

\* Classification as per Infomerics standards.

Status of non-cooperation with previous CRA: None.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (March 23, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities	Long Term	25.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2	Non-Fund Based Bank Facilities	Short Term	105.00	IVR A3	IVR A3	-	-



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**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 positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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- Cash Credit	-	-	-	25.00	IVR BBB- /Stable Outlook



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Short Term Bank Facilities- Bank Guarantee	-	-	-	105.00	IVR A3
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**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Lender-P-R-Infraprojects-Limited-22-jun-21-.pdf>