Press Release

PCI Infraprojects Private Limited
December 26, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	77.00 (enhanced from 50.00 and including proposed limit of 10.00)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Upgraded	Simple
Short-term Bank Facilities	229.00 (enhanced from 105.00 and including proposed limit of 67.50)	IVR A3+ (IVR A Three plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Total	**306.00 (Rs. Three hundred six 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 upgrade of the ratings assigned to the bank facilities of PCI Infraprojects Private Limited (PIPL) takes into account the significant increase in scale of operation and thereby profit level with the improvement in financial risk profile during FY24 (refers to period April 1st, 2023 to March 31st, 2024). Further, the ratings continue to derive strength from experienced promoter with long track record of operation, strategic location of the plant and satisfactory order book position along with reputed clientele. These rating strengths continues to remain partially offset by susceptibility of profitability to volatility in raw material prices, exposure to intense competition and working capital intensive nature of operation.

The long-term rating outlook is Stable on the back of sustained improvement in business and financial risk profile, driven by experienced promoters and favourable demand outlook in the overall industry.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis
- Improvement in capital structure coupled with improvement in overall gearing
- Improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators with moderation in the interest coverage ratio to below 2x
- Moderation in the capital structure with deterioration in the overall gearing ratio
- Deterioration in working capital management impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Continuous and healthy growth in scale of operation coupled with improvement in profitability**

The total operating income grew at a y-o-y growth of ~55% and stood at Rs. 204.42 crore in FY24 from Rs. 132.07 crore in FY23 (refers to period April 1st, 2022 to March 31st, 2023) on the back of increase in demand of wire related products coupled with increase in EPC orders execution backed by higher Government spending on infrastructure. With the increase in the TOI, absolute EBIDTA and PAT increased to Rs. 28.23 crore and Rs. 13.18 crore in FY24 respectively from Rs. 12.84 crore and Rs. 6.18 crore in FY23 respectively. GCA improved and stood at Rs. 13.83 crore in FY24 compared to Rs. 6.55 crore in FY23. Further, EBITDA and PAT margin has improved to 13.81% and 6.42% (from 9.72% and 4.65% in FY23) respectively in FY24 on the back of increase in revenue from EPC segment driven by timely execution of works contract orders, further resulting in fetching higher profit margin of the company.

- **Experienced promoter with long track record of operation**

The promoters are widely experienced in the cable wire and EPC industries. Mr. Shobhit Sharma is at the helm of affairs of the company with support from other directors and a team of experienced professionals. Furthermore, the company started operation from 2006 as a partnership firm and last in November 2021 converted into a company, thus enjoying about two decades of operational track record.

- **Strategic location of the plant**

PIPL's manufacturing facility is located at Sitapura Industrial Area near Jaipur, Rajasthan. The area is manufacturing hub of engineering and electrical industries in north-western India and is in close proximity to delivery points of major raw material supplier and well connected by road and rail. Accordingly, proximity to the source of raw materials & end user market with easy connectivity provides a competitive edge.

- **Satisfactory order book position along with reputed clientele**

The company has orders in hand of ~Rs.1,286 crore as on October 01, 2024, which is ~6.29x of its FY24 turnover. The orders are expected to be executed in the coming 12-18 months indicating a satisfactory near to medium term revenue visibility. This apart, the company sells its manufactured products and works for EPC contracts to the reputed Government and private customers like Larsen & Toubro Limited, Vindhya Telelinks Limited, Ashoka Buildcon Ltd, Kerala State Electricity Board, Tripura State Electricity Corporation, etc. Association of reputed customers limits the risk of default.

- **Moderate financial risk profile of the company**

Financial risk profile of the company is moderate, marked by moderate capital structure, satisfactory debt coverage indicators and adequate liquidity ratios. Though adjusted long term debt equity ratio and adjusted overall gearing has deteriorated to 0.43x and 1.18x (from 0.20x and 0.97x in FY23) respectively as on March 31, 2024, with the availment of term loan for construction of warehouse and higher utilisation of bank borrowing to fund the escalated scale of operation, the same remains moderately satisfactory. This apart, debt coverage indicators remained comfortable, where interest coverage ratio has improved to 2.66x in FY24 with the improvement of operating profit. Further, total debt to NCA has improved and remained moderate at 3.45x as on March 31, 2024. Total indebtedness of the company, marked by adjusted TOL/TNW, also remained moderate at 2.49x considering quasi equity. Current ratio was adequate and remained slightly above unity at 1.19x as on March 31, 2024.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the copper and aluminium products industry. Basic raw materials required for the company are Copper and Aluminium rods, steel wires, resin, PVC for wires and other steel and construction materials for EPC projects. However, there is price escalation clause in most of the EPC contracts, which mitigates the price volatility risks to some extent. Further, the company lacks captive power and backward integration for its basic raw materials. Since the raw material and power is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices and power tariffs. Further, finished products prices are also highly volatile and prone to fluctuations based on demand supply situations and other macro-economic factors.

- **Exposure to intense competition and cyclicality in the user industry**

The cable wire manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation and consequent intense competition. Further, the domestic wire industry is cyclical in nature, which is likely to impact the cash flows of the long product manufacturers including PIPL. This apart, as the EPC projects are mostly tender driven and there are number of established players in the market, the achievability of the project is difficult. This apart, cyclicality of the user industries also varies demand time to time.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive in nature. The company is required to maintain adequate inventory of raw material for smooth production process as well as maintain inventory of finished goods to meet demand of its customers which resulted in average inventory period of 48 days for FY24 as compared to 30 days in FY23. Furthermore, the company offers a credit period of around 90 days to its customers owing to its presence in highly competitive industry resulting in average collection period of 99 days for FY24, elongated from 96 days in FY23. However, it receives a credit period of around two months from its suppliers. The operating cycle of the company increased and stood at 82 days in FY24 as compared to 60 days in FY23. The average working capital utilization remained satisfactory at around 69% over the past 12 months ended November 2024.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies.
Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

PIPL has earned a gross cash accrual of Rs. 13.83 crore in FY24. Further the company is expected to earn a gross cash accrual of around ~Rs. 24.00 to Rs. 33.68 crore as against its debt repayment obligations of around ~Rs. 1.64-1.76 crore during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. However, average cash credit utilisation of the company remained moderate at ~69% during the past 12 months ended November 2024 indicating adequate liquidity cushion. Further, absence of any debt funded capex provides further comfort to the liquidity position.

About the Company

PCI Infraprojects Private Limited (PIPL) was incorporated in November 2021 as PCI Wires Private Limited (PWPL) at Jaipur, Rajasthan, to continue its existing partnership firm's cable manufacturing and EPC operation. The partnership firm, in the name of M/s Power Cable Industries (PCI), was established and started operation since 2006 in Jaipur and installed its cable manufacturing unit at Sitapura, Industrial Area, near Jaipur. Since November 2021, PWPL took over full operation of PCI and continues the business operation and in October 2023, PWPL rechristened as PIPL. The company manufactures various types of LT power cables and conductors and the manufacturing unit is ISO 9001: 2008 certified. This apart, the company also has started EPC business on standalone basis and as joint venture partner of various turn-key contractors and is into projects like EHV/HV sub stations and transmission lines, high voltage distribution system HVDS, feeder separation scheme FSS etc.

Currently, Mr. Shobhit Sharma, director, looks after day-to-day affairs of the company along with other three directors and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	132.07	204.42
EBITDA	12.84	28.23
PAT	6.18	13.18
Total Debt	26.26	47.71
Adjusted Tangible Net Worth	27.19	40.54
EBITDA Margin (%)	9.72	13.81
PAT Margin (%)	4.65	6.42
Overall Gearing Ratio (x)	0.97	1.18
Interest Coverage (x)	2.49	2.66

* *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 2024-25)			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 (Jan. 31, 2024)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
1.	Term Loan	Long Term	5.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit (including proposed limit)	Long Term	72.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
3.	BG (including proposed limit)	Short Term	176.50	IVR A3+	IVR A3	-	-
4.	BG/LC	Short Term	52.50	IVR A3+	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.

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
Term Loan	-	-	-	Jul. 2028	5.00	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	25.00	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	15.00	IVR BBB/ Stable
Cash Credit 3	-	-	-	-	5.00	IVR BBB/ Stable
Cash Credit 4	-	-	-	-	5.00	IVR BBB/ Stable
Cash Credit 5	-	-	-	-	7.00	IVR BBB/ Stable
Cash Credit 6	-	-	-	-	5.00	IVR BBB/ Stable
BG/LC 1	-	-	-	-	7.50	IVR A3+
BG/LC 2	-	-	-	-	25.00	IVR A3+

BG/LC 3	-	-	-	-	20.00	IVR A3+
Bank Guarantee 1	-	-	-	-	40.00*	IVR A3+
Bank Guarantee 2	-	-	-	-	49.00#	IVR A3+
Bank Guarantee 3	-	-	-	-	20.00$	IVR A3+
Proposed Cash Credit	-	-	-	-	10.00	IVR BBB/ Stable
Proposed Bank Guarantee	-	-	-	-	67.50	IVR A3+

**Letter of credit of Rs. 40.00 crore is sublimit of BG*
#Letter of credit of Rs. 17.00 crore is sublimit of BG
$Letter of credit of Rs. 13.00 crore is sublimit of BG

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-PCI-Infraprojects-dec24.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.