



## Press Release

### PMR Construction Company

**May 07, 2024**

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facilities	20.00	IVR BB (Stable) [IVR Double B with Stable Outlook]	IVR BB (Stable) [IVR Double B with Stable Outlook]	Reaffirmed	Simple
2.	Short Term Bank Facilities	20.00	IVR A4+ [IVR A Four Plus]	IVR A4+ [IVR A Four Plus]	Reaffirmed	Simple
	<b>Total</b>	<b>40.00</b>	(Rupees forty crores only)			

**Details of facilities are in Annexure 1**

#### Rating Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term ratings with stable outlook and reaffirmed the short-term ratings also for the bank facilities of PMR Construction Company.

The rating continues to draw comfort from experienced promoters, top management and reputed clientele. The rating further derives comfort from healthy order book position which provides satisfactory medium term revenue visibility.

However, these rating strengths are partially offset by decline in scale of operations albeit thin profitability margins coupled with moderate capital structure and debt protection metrics. The rating also remains constrained by geographical concentration risk and tender-based nature of operations with intense competition in the industry. There also exists an inherent risk of being a partnership firm and an EPC contractor and susceptibility of operating margin to volatile input prices.



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The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that PMR Construction Company will continue to benefit from its operational track record in the business, its reputed clientele and inflow of orders as per the current order book position.

IVR has principally relied on the standalone audited financial results of PMR Construction Company up to 31 March 2023, provisional financials for FY2024 and projected financials for FY2025, FY2026 and FY 2027, and publicly available information/ clarifications provided by the firm's management.

### **Key Rating Sensitivities:**

#### **Upward Rating Factor:**

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

#### **Downward Rating Factor:**

- 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.
- Any sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

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

#### **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 experienced with almost two decades of experience which has enabled the firm to build healthy relations with suppliers and customers.

##### **Reputed clientele**



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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.

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

Total unexecuted order book as on April 2024 is Rs. 153.86 Cr. i.e., 4.30 times of the turnover of FY2023. They are planning to execute these orders by FY25. The present order book is skewed towards the construction of roads, bridges and other civil construction activities under Government contracts.

### **Key Rating Weaknesses**

#### **Decline in scale of operations albeit moderate profitability margins**

The TOI of PMR Construction Company moderated from Rs. 37.73 Cr. in FY22 (A) to Rs. 36.57 Cr. in FY23(A), however, as per the provisional financials for FY24, the firm has reported turnover of Rs. 36.77 Cr. The moderation in the firm's turnover of FY22 and FY23 is on account of the change in business model of the company wherein the firm started bidding for tenders in State Highways while it was previously doing for National Highways. As per the management, now the firm has started acquiring orders for national highways which is expected to result in improvement in OI.

EBITDA improved from Rs. 4.50 Cr. in FY22 to Rs. 5.26 Cr. in FY23, and the same remained at Rs. 5.26 Cr. in FY24(P) as well. PAT of the firm remained almost same in FY22 and FY23 and stood at Rs. 1.35 Cr. and Rs. 1.30 Cr. respectively, however in FY24(P) PAT improved and stood at Rs. 1.40 Cr.

The profitability margins of the firm, like EBITDA margin increased from 11.93% in FY22 to 14.38% in FY23 due to higher margins earned on executed orders, however the same moderated to 14.29% in FY24(P). PAT Margin remained almost same and stood at 3.56% in FY22 and 3.55% in FY23 due to the increase in interest expenses, however, the same improved to 3.79% in FY24(P).



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### **Moderate capital structure and debt protection metrics**

The Overall Gearing ratio moderated from 0.46 times as on March 31, 2022, to 0.82 times as on March 31, 2023, the same further moderated to 0.88 times as on March 31, 2024 (P). This moderated because of higher utilisation of working capital limits. TOL/TNW also moderated from 1.04 times as on March 31, 2022, to 1.67 times as on March 31, 2023. This moderated because of the increase in creditors, the same further improved as on March 31, 2024(P) and it stood at 1.46 times.

The debt protection indicators increased marked by Interest Coverage Ratio moderated and stood at 6.77 times in FY23(FY 22: 17.94 times). DSCR also moderated and stood at 2.65 times in FY 23, as against 3.51 times in FY22.

Total Debt to GCA also moderated and stood at 6.06 years in FY23 against 2.99 years in FY22, however, the Tangible Net Worth increased from Rs. 18.58 Cr. As on 31st March 2022 to Rs. 21.32 Cr. as on 31st March 2023.

### **Concentration Risk**

The firm has geographical concentration risk as its operations are restricted to the state of Kerala only. The entire revenue of Rs. 36.57 Cr. earned in FY23 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.

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



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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 cost forms the majority chunk of the total cost of sales. As the raw material prices & labour cost are volatile in nature, the profitability of the firm is subject to fluctuation in raw material prices & labour 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 for assigning Rating outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing period](#)

### **Liquidity: Adequate**

The liquidity position of the firm is expected to remain adequate on the expectation of sufficient cushion in cash accruals vis-à-vis debt repayment obligations in the next 3 years. The monthly average utilisation of fund-based limits by PMR Construction Company stood at 61% for 12 months period ended March 2024(P). PMR Construction Company's operating cycle was of 0 days in FY22 and was of 39 days in FY23. The current ratio moderated and stood at 1.51x as on March 31, 2023, as against 1.72 as on March 31, 2022. The Quick ratio also moderated and stood at 1.12x as on March 31, 2023, as against 1.37x as on March 31, 2022.



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### **About the Company**

PMR group is a full-service construction group 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.





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**Financials (Standalone): -**

**(In Rs. Crore)**

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	37.73	36.57
EBITDA	4.50	5.26
PAT	1.35	1.30
Total Debt	8.49	17.48
Tangible Net Worth	18.58	21.32
EBITDA Margin (%)	11.93	14.38
PAT Margin (%)	3.56	3.55
Overall Gearing Ratio (x)	0.46	0.82

*\*Classification as per Infomerics' standards*

**Details of non-co-operation with any other CRA:** ICRA vide its press release dated 16<sup>th</sup> January 2024 has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

**Any other information: Not Applicable**

**Rating History for last three years:**

Name of the Facility / Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years			
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023 - 24	Date(s) & Rating(s) assigned in 2022-2023.	Date(s) & Rating(s) assigned in 2021-2022. (December 13, 2021)	Date(s) & Rating(s) assigned in 2020-2021 (September 18, 2020)
Fund based limits	Long Term	20.00	IVR BB/ Stable	IVR BB/ Stable	-	IVR BB+/ Stable	IVR BB+/ Stable
Non-Fund based Limits	Short term	20.00	IVR A4+	IVR A4+	-	IVR A4+	IVR A4+

*\*Issuer not cooperating; Based on best available information.*



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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 visit [www.infomerics.com](http://www.infomerics.com)

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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
Fund Based – Cash Credit	-	-	-	10.00	IVR BB/ Stable
Fund Based- BDS against Government of Kerala receivables	-	-	-	10.00	IVR BB/ Stable
Non-Fund Based- Bank Guarantee	-	-	-	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-PMRConstrcution-may24.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](http://www.infomerics.com)