



Press Release

PMR Construction Company

December 13, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities- Overdraft	5.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed
2.	Short Term Bank Facilities- Inland Letter of Guarantee	15.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Reaffirmed
	Total	20.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of PMR Construction Company continues to benefit from experienced promoters and top management. The ratings also take into account its reputed clientele, orderbook position reflecting satisfactory medium term revenue visibility, growing scale of operations with healthy profitability and satisfactory capital structure. These rating strengths partially offset by small scale of operations, tender based nature of operations with intense competition in the industry.

Key Rating Sensitivities:

Upward Factors

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



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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 company 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 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.137.00 Crores as on 01.04.2021 out of which orders of ~Rs.72.00 Crores being executed in the current fiscal thereby indicating a satisfactory near to medium term revenue visibility.

Growing scale of operations with Healthy Profitability

Over the past four years (FY18-FY21), total operating income has increase by a CAGR of ~29% with YOY growth of ~71.00% in FY21(Prov). Along with the increase in the total operating income, the firm has maintained a healthy profitability with comfortable EBITDA and PAT margin. As per FY21(Prov), EBITDA and PAT margin stood comfortable at 10.10% and



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5.40%. Moreover, the cash accruals of the firm steadily increased from Rs.2.02 Crores in FY20 to Rs.4.06 Crores in FY21(Prov).

Satisfactory capital structure

The tangible networth of the firm increased to Rs.13.95 Crores in FY21(Prov) from Rs.10.88 Crores in FY20. The firm has maintained a healthy long term debt equity ratio of 0.30x and overall gearing ratio of 0.65x in FY21(Prov). The total indebtedness of the company as reflected by TOL/TNW stood as 0.59x as on March 31, 2021(Prov) as against 0.39x in FY20.

Key Rating Weaknesses

Small scale of operations

The firm's scale of operations continues to remain relatively small, notwithstanding an increase to Rs.70.69 Crores in FY21(provisional) from Rs.41.33 Crores in FY20, which results in low profits and cash accruals on an absolute basis.

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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity – Adequate

The liquidity of the firm is adequate marked by its adequate gross cash accruals of Rs.4.06 Crores as on March 31, 2021 (Prov) as against repayment obligation of Rs.0.66 Crore. Going forward, the firm is not having any major repayment obligation. The average utilization of working capital limit stood below 50.00% during last 12 months ended September 2021 which indicates sufficient cushion in case of additional working capital requirement. The firm has additional headroom due to its low gearing levels. The Current Ratio of the entity stood at 1.52x as per FY21(Prov) results. The firm reported cash & bank balance of Rs.15.80 Crores as per FY21(Prov) results. All these factors reflect adequate liquidity position of the entity.

About the Firm

PMR group is a full-service construction company 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):

(Rs. crore)		
For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	41.33	70.69
EBITDA	4.48	7.14
PAT	1.97	3.83
Total Debt	19.76	9.13
Tangible Net worth	10.88	13.95
EBITDA Margin (%)	10.83	10.10
PAT Margin (%)	4.74	5.40
Overall Gearing Ratio (x)	1.82	0.65

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating (December 13, 2021)	Date(s) & Rating(s) assigned in 2020-21 (September 18, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Bank Facilities-Overdraft	Long Term	5.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	-	-
3.	Non- Fund Based Bank Facilities-Inland Letter of Guarantee	Short Term	15.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	-	-

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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 Fund Based Bank Facilities- Overdraft	-	-	-	5.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
Short Term Non-Fund Based Bank Facilities- Inland Letter of Guarantee	-	-	-	15.00	IVR A4+ (IVR A Four Plus)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-pmr.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Working capital (OD)	Simple
2.	Inland Letter of Guarantee	Simple

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.