Press Release

P&R Infraprojects Limited

Dec 06, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	25.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	Re-affirmed	Simple
Short Term Bank Facilities	105.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Re-affirmed	Simple
Total	**130.00 (One Hundred and Thirty Crores Only)**				

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 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.

Downward Factors

- Decline in scale of operations with deterioration in profitability on a sustained basis.
- 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.

Improvement in the scale of operation during FY23 though growth expected in FY24.

PRIL witnessed an increase in its scale of operation and the total operating income increased from Rs.173.89 crore in FY22 to Rs.196.82 crore in FY23. This improvement was due to better execution of work due to ease of 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 FY22 & FY23 and achieved a healthy order book position. Infomerics expects healthy growth in PRIL's business in FY24.

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.446.27 crore as on Nov 30, 2023, which is about 2.23x of FY23. 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 FY23, PRIL witnessed a healthy EBIDTA margin of 12.43%. The healthy profit margin was mainly on account of consistent cost control and efficiency measures stipulated by the Company. Also in the 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 3.53% in FY2023. Further, in FY2023, PRIL achieved a PAT of Rs.6.98 crore on a total operating income of Rs.196.82 crore.

Comfortable capital structure with healthy debt protection metrics

The overall gearing of the company stood comfortable at 0.83x as on March 31, 2023 (PY: 0.56x as on March 31, 2022). The debt protection indicators of the company like interest coverage have stood satisfactory at 3.36x in FY23. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 1.76x as on March 31, 2023.

Key Rating Weaknesses

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 & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence 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 the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in an increase in the number of players. While the competition is perceived to be healthy, a significant price cut by a 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 at 192 days in FY23 (178 days in FY21) mainly due to higher execution of work in Q4FY23. 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 to manage working capital requirements efficiently. Average utilization of fund-based limit of PRIL is around ~81.39% for the trailing 12 months ended July 2023.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Infrastructure entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY24-26. The company is expected to earn Gross Cash Accruals (GCA) of Rs.27.54 crores in FY24 as against its repayment obligation of Rs 1.59 crores. Also, the company's current ratio stands at 1.43x. However, the working capital utilization of company stood at ~81.39% during past 12 months ended July 2023.

About the Company

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. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	173.89	196.82
EBITDA	20.79	24.46
PAT	6.26	6.98
Total Debt	51.18	81.78
Tangible Net worth*	91.77	98.94
EBITDA Margin (%)	11.96%	12.43%
PAT Margin (%)	3.58%	3.53%
Overall Gearing Ratio (x)	0.56x	0.83x

**as per Infomerics standards*

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Date: Sep 14, 2022	Date(s) & Rating(s) assigned in 2021-22 Date : June 22, 2021	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	25.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	-
2	Bank Guarantee	Short term	105.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-

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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.

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 (Pronounced as IVR Triple B Minus with Stable Outlook)
Long Term Bank Facilities – Bank Guarantee				105.00	IVR A3 (Pronounced as IVR Single A Three)

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

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-PRI-dec23.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