



Press Release

PSAA Constructions Private Limited

August 01, 2024

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	6.00	IVR BB; Stable (IVR Double B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facility	23.40	IVR A4 (IVR A Four)	-	Assigned	Simple
Total	29.40 (Rupees Twenty- Nine crores and forty lakhs 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 assignment of ratings to the bank facilities of PSAA Constructions Private Limited (PSAACPL) considers the combined financials of PSA Constructions (Partnership firm), SKPL PSA Joint Venture and PSAACPL, commonly referred to as PSAA Group. The ratings derive comfort from extensive industry experience of the promoters coupled with proven project execution capability, reputed clientele resulting in low counter party risk and its satisfactory order book position indicating healthy near to medium term revenue visibility. The ratings also factor in the comfortable capital structure and debt coverage indicators of the group. However, these rating strengths remain constrained due to its modest scale of operation, exposure to intense competition, susceptibility of profitability to volatile input prices and exposure to geographical and sectorial concentration risk.

The stable outlook reflects expected satisfactory business performance of the company and PSAA group in the near to medium term underpinned by its satisfactory order book position and experience of the promoters.

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis.
- Sustenance of the capital structure with improvement in debt protection metrics.



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- Steady flow of orders & timely execution of the same on a sustained basis.

Downward Factors:

- Moderation in the scale of operation and/or moderation in profitability impacting the debt protection metrics.
- Moderation in the capital structure and/or deterioration in overall gearing to over 1.00x.
- Stretch in the working capital cycle impacting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive industry experience of the promoters**

Mr. Sanjay Singhal, managing director of PSSA Constructions Private Limited, has extensive experience of 25 years in the field of civil construction and is actively involved in managing the day-to-day operations of the company. He is supported by a team of experienced and qualified professionals in managing the day-to-day affairs of the company.

- **Proven project execution capability**

Over the past years, the group has successfully completed many projects across Chhattisgarh and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele with low counter party risk**

The company mainly bids for tenders floated by various government departments in the road construction sector across Chhattisgarh. The major client base of the company consists of the Public Works Department, municipal and engineering departments of state government. Most customers being government departments impart comfort in the form of low counterparty risk though timely receipt of bill payments is dependent on their timely receipt of sanctioned funds from higher authorities.

- **Healthy order book position reflecting healthy near to medium term revenue visibility**

The company has an unexecuted order book of Rs. 214.45 Crore as on July 10, 2024, i.e., 3.06 times of its FY2024 combined turnover, which is expected to be executed over the next 24 months. Healthy order book position reflects near to medium term revenue visibility, however, timely execution of the same would remain a key monitorable.

- **Satisfactory capital structure and comfortable debt coverage indicators**



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The overall gearing ratio on a combined basis has remained comfortable at 0.76x as on March 31, 2024, as against 0.90x as on March 31, 2023. Overall indebtedness as reflected by TOL/TNW has remained satisfactory at 1.88x as on March 31, 2024 (2.06x as on March 31, 2023). The debt coverage indicators also remained comfortable with an ICR of 3.14x in FY2024 (3.51x in FY2023). Total debt/EBITDA and total debt/GCA also remained comfortable at 2.57x (3.15x as on March 31, 2023) and 4.03x (4.71x as on March 31, 2023) respectively as on March 31, 2024.

The promoters have infused equity amounting to Rs. 20.05 crore during FY24 in PSAA Constructions Private Limited to support its business operations. On a standalone basis, the overall gearing ratio of PSAACL has improved from 5.16x as on March 31, 2023, to 0.72x as on March 31, 2024. Overall indebtedness as reflected by TOL/TNW has also remained satisfactory at 1.61x as on March 31, 2024.

Key Rating Weaknesses

- **Susceptibility of profitability to volatile input prices**

The company's profit margins are exposed to raw material (mainly steel, cement, sand and other metals) price fluctuations. Nonetheless, the presence of a price escalation clause in most of its contracts mitigates the risk to an extent. The company passes on the increase in the raw material prices to its customers to an extent but with a lag.

- **Modest scale of operation**

During the previous three fiscal years, FY22–FY24 (FY refers to the period from April 1 to March 31), the group's total operating income (TOI) stood modest and decreased from Rs. 91.98 crore in FY22 to Rs.77.25 crore in FY23 and subsequently to Rs. 70.04 crore in FY24 due to decrease in receipt and execution of orders. Despite a dip in TOI, EBITDA margin increased marginally from 8.08% in FY23 to 9.39% in FY24 on account of execution of relatively higher margin orders. However, due to moderate scale of operations, PAT though improved from Rs.1.79 crore in FY23 to Rs.1.95 crore in FY24 yet remained low. The ability of the group to bag new orders and increase its scale of operations and overall profitability will remain a key rating monitorable going forward.

On a standalone basis, both top line as well as overall profitability of PSAACPL witnessed an improvement and the company achieved a PAT of Rs.1.01 crore on a TOI of Rs.25.77 crore in FY2024 as against a PAT of Rs.0.13 crore on a TOI of Rs.5.65 crore in FY2023.

- **Geographical and sectorial concentration risk**



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The present order book is skewed towards road construction projects in Chhattisgarh indicating a geographical and sectorial concentration risk. However, the group has adequate experience in executing projects in Chhattisgarh which provides comfort. Further, the group has started bidding for tenders in other states in order to geographically diversify its operations, however, the impact of the same is yet to be seen.

- **Tender based nature of business with intense competition in the industry**

The domestic construction sector is highly crowded with the presence of many players with varied statures and capabilities. Further, the company receives work orders through tenders amidst an intense price war. The profit margins of the company may remain under pressure because of this highly competitive nature of industry. However, promoters' long industry exposure imparts comfort to an extent.

Analytical Approach: Combined

For arriving at the ratings, INFOMERICS has combined the financials of FY2022-FY2024 of PSA Constructions (Partnership firm), SKPL PSA Joint Venture and PSAA Constructions Private Limited, commonly referred to as PSAA Group, as these entities have a common management team and have operational & financial linkages. Moreover, from FY2025 onwards, all these entities will be merged into PSAA Constructions Private Limited as per the deed of assignment dated July 12, 2023. List of entities considered for combined analysis is given at Annexure 4.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Consolidation of Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity of the group is expected to remain adequate in the near term marked by its healthy expected gross cash accruals vis-a vis its minimal debt repayments. Moreover, the PSAA group has satisfactory gearing headroom marked by its comfortable capital structure with overall gearing of 0.76x as on March 31, 2024. However, the average fund-based utilization of the company remained moderately high at ~83% during the past 12 months ended in June



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2024 indicating limited liquidity buffer. Further, the group has free cash and cash equivalents to the tune of Rs.2.18 crore as on June 30, 2024, which is expected to support the liquidity position of the group in the near term.

About the Company

Incorporated in 2001, PSAA Constructions Private Limited is engaged in the construction and maintenance of roads, rails, bridges, tunnels, ports, runways etc. for the Public Work Department (PWD) of Chhattisgarh. It is listed with PWD, Chhattisgarh, as a Class-A5 contractor. The operations of the company commenced from FY2023 onwards. Earlier all the operations were being conducted under the partnership firm namely, PSA Constructions from 2001 onwards. Further, the promoters also have a joint venture in the name of SKPL PSA JV which also undertakes construction contracts. All the three entities have common management with operational and financial linkages. Moreover, from FY2025 onwards, PSA Constructions will be merged into PSAA Constructions Private Limited as per the deed of assignment dated July 12, 2023.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	5.65	25.77
EBITDA	0.31	3.15
PAT	0.13	1.01
Total Debt	0.65	15.11
Tangible Net Worth	0.13	20.91
EBITDA Margin (%)	5.46	12.24
PAT Margin (%)	2.23	3.85
Overall Gearing Ratio (x)	5.16	0.72
Interest Coverage (x)	2.02	3.14

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Cash Credit	Long Term	6.00	IVR BB; Stable	-	-	-
2.	Bank Guarantee	Short Term	23.40	IVR A4	-	-	-

Analytical Contacts:

Name: Harshita Gupta

Tel: (033) 46022266

Email: hdidwania@infomerics.com

Name: Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

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).

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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
Cash Credit	-	-	-	-	6.00	IVR BB; Stable
Bank Guarantee	-	-	-	-	23.40	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-PSAA-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the Entity	Consolidation/Combined Approach
PSA Constructions (Partnership firm)	Combined Approach
SKPL PSA Joint Venture	Combined Approach
PSAA Constructions Private Limited	Combined Approach

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.