



## Press Release

### Preca Solutions India Private Limited

September 30, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	39.21	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	30.79	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>70.00 (Seventy crore)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Preca Solutions India Private Limited (PSIPL) derive strength from its experienced promoters, proven project execution capability and healthy order book of Rs.330.38 crore as on July 30, 2022 which is to be executed in the next two to three years indicating a healthy near to medium term revenue visibility. The rating is further supported by gradual improvement in its financial performance over the past three fiscal years ended in FY22 (Provisional) along with its comfortable capital structure and improvement in its debt coverage indicators in FY2022. However, these rating strengths remain constrained by PSIPL's modest scale of operations, high working capital intensity and susceptibility of operating margin to volatile input prices.

#### Key Rating Sensitivities

##### Upward Factors:

- A sustained improvement in revenue and profitability leading to improvement in gross cash accruals and consequent improvement in debt coverage indicators
- Sustenance of the capital structure with improvement in overall gearing to below 0.50x
- Improvement in working capital cycle leading to improvement in liquidity position

##### Downward Factors:

- Moderation in operating income and/or dip in cash accrual impacting the debt protection metrics on a sustained basis



## Press Release

- Stretch in the working capital cycle driven by stretch in receivables cycle beyond 100 days
- Any unplanned capex and /or withdrawal of unsecured loans from promoters and relatives amounting to Rs.19.00 crore leading to deterioration in overall gearing to over 1.5x

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Extensive experience of the promoters**

PSIPL is promoted by Hyderabad, Telangana based Mr. Satish Gottipati in joint venture partnership with Israeli and Nigerian techno-investors. Mr. Satish Gottipati, Managing Director of PSIPL, is a qualified Chartered and Cost Accountant with an experience of over a decade in the sector. He is supported by the other Directors and a team of experienced personnel in managing the day-to-day affairs and overall operations of the company.

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

PSIPL has unexecuted orders of ~Rs.330.38 crore as on July 30, 2022, translating into 3.03 time of its FY2022 revenue as per provisional financial statements, thereby providing healthy medium-term revenue visibility. These orders have been received from several government departments and reputed private entities having presence across diverse sectors like Information Technology, FMCG, Pharmaceuticals, etc. Though the order book is expected to be executed over next two to three years, however, timely completion would remain a key monitorable.

- **Proven project execution capability**

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

- **Gradual improvement in financial performance**

The total operating income increased at a CAGR of ~21% during the last three financial years with a y-o-y growth of ~31% in FY22 (Prov.) over FY21. The growth in TOI in FY22 (Prov.) is attributable to increase in the number of orders executed by the company. Besides, PSIPL's operations were majorly impacted in FY20 and FY21 due to the impact of the COVID 19 pandemic and consequent lockdown restrictions. With increase in top line, absolute EBITDA



## Press Release

also increased from Rs.10.15 crore in FY21 to Rs.13.93 crore in FY22 (Prov.) resulting in marginal increase in EBITDA margin from 12.26% in FY21 to 12.79% in FY22 (Prov.). Consequently, PAT margin also improved from 0.36% in FY21 to 2.99% in FY22 (Prov.). Gross cash accruals have improved from Rs.4.77 crore in FY21 to Rs.7.78 crore in FY22. Company's ability to sustain the growth in top line without compromise in margins will be a key rating monitorable going forward.

- **Comfortable capital structure coupled with improvement in debt protection metrics in FY22**

The capital structure of the company improved and remained comfortable with long term debt equity ratio and overall gearing of 0.26x (0.36x as on March 31, 2021) and 0.72x (0.84x as on March 31, 2021) respectively as on March 31, 2022 (Prov.), considering subordinated unsecured loans from holding company and directors to the tune of Rs.19.00 crore as on March 31, 2022 (Prov.) as quasi equity and a part of tangible net worth. Total indebtedness as reflected by TOL/TNW also remained comfortable at 1.50x as on March 31, 2022 (Prov.). Further, with increase in profits in FY22 (Prov.) and consequent improvement in gross cash accruals in FY22 (Prov.), the debt protection metrics also improved with interest coverage ratio of 2.98x (1.90x in FY21) and total debt to GCA of 4.68x (8.39x in FY21) in FY22 (Prov.). The company's ability to maintain its capital structure in the near to medium term will be a key rating monitorable going forward.

**Key Rating Weakness:**

- **Modest scale of operations**

PSIPL's scale of operation though improved yet remained modest with total operating income of Rs.108.96 crore in FY22 (Prov.). Although, the revenue is expected to grow on the back of healthy order book position, yet timely completion of the same will remain a key rating monitorable.

- **High working capital intensity owing to elongated receivable cycle**

PSIPL's operations are working capital intensive with gross current assets and receivables of around 132 days and 92 days, respectively, as on March 31, 2022 (Prov.) (as against 161 days and 106 days respectively as on March 31, 2021). The receivable cycle of PSIPL remained high, largely on account of elongated payment cycle from its clients and sizeable retention money. Receivables cycle have also remained high on account of stretched payments from



## Press Release

government departments. The working capital intensity is further reflected from ~89% utilization of its fund-based limit during the 12 months ended July, 2022.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement the prices of which are volatile in nature. The profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

**Analytical Approach:** Consolidated

For arriving at the ratings, we have considered the consolidated financial statements of Preca Solutions India Private Limited (PSIPL, the Parent) and its Joint Venture Preca-SIPPL (JV), referred to as 'the Group' as these entities are under a common management and has operational and financial linkages and cash flow fungibility. The list of companies is given in

**Annexure 2.**

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

**Liquidity Position: Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.4.97 crore in FY23, Rs.3.81 crore in FY24 and Rs.3.24 crore in FY25. Overall gearing ratio was comfortable at 0.72x as on March 31, 2021 (Prov.) indicating a sufficient gearing headroom. Also, the company has unencumbered cash and cash equivalents of Rs.2.40 crore as on July 31, 2022, which is likely to support its liquidity. However, the average CC utilisation for the past twelve months ended July, 2022 remained high at ~89% indicating a limited cushion. The average month end non fund based utilisation remained comfortable at 46% and 61% for LC and BG limits respectively during the last twelve months ended July, 2022.

**About the Company**

Incorporated in July 2008, Hyderabad, Telangana based Preca Solutions India Private Limited (PSIPL) is engaged in the business of designing, manufacturing and supplying of precast and prestressed concrete products (such as blocks, beams, slab roofs and columns, hollow core



## Press Release

slabs, retaining walls slabs, staircase boundary, walls service ducts) on a turnkey engineering solution basis.

PSIPL is promoted by Mr. Satish Gottipati in joint venture partnership with Israeli and Nigerian techno-investors. Mr. Satish Gottipati is a qualified Chartered and Cost Accountant with an experience of over a decade in the sector. He is supported by the other Directors in managing the day-to-day affairs and overall operations of the company.

### Financials: Consolidated (Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	82.79	108.96
EBITDA	10.15	13.93
PAT	0.30	3.26
Total Debt	39.99	36.43
Tangible Net worth	47.36	50.61
EBITDA Margin (%)	12.26	12.79
PAT Margin (%)	0.36	2.99
Overall Gearing Ratio (x)	0.84	0.72

\*Classification as per Infomerics' standards.

### Financials: Standalone (PSIPL) (Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	74.87	102.79
EBITDA	9.71	13.63
PAT	0.22	3.06
Total Debt	39.99	36.43
Tangible Net worth	47.19	49.98
EBITDA Margin (%)	12.97	13.26
PAT Margin (%)	0.29	2.97
Overall Gearing Ratio (x)	0.85	0.73

\*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:



## Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	1.39*	IVR BBB-/Stable	-	-	-
2.	ECLGS #	Long Term	7.19*	IVR BBB-/Stable			
3.	Cash Credit	Long Term	30.63	IVR BBB-/Stable			
4.	Letter of Credit	Short Term	4.00	IVR A3	-	-	-
5.	Bank Guarantee	Short Term	26.79	IVR A3			

\*outstanding as on July 31, 2022

#Emergency Credit Line Guarantee Scheme

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Gupta	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for



## Press Release

any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan	-	-	June, 2023	1.39*	IVR BBB-/Stable
ECLGS #	-	-	April, 2027	7.19*	IVR BBB-/Stable
Cash Credit	-	-	-	30.63 (including proposed limit of Rs.6.63 crore)	IVR BBB-/Stable
Letter of Credit	-	-	-	4.00	IVR A3
Bank Guarantee	-	-	-	26.79 (including proposed limit of Rs.10.00 crore)	IVR A3
<b>Total</b>				<b>70.00</b>	

\*outstanding as on July 31, 2022

#Emergency Credit Line Guarantee Scheme

### Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Preca Solutions India Private Limited (PSIPL)	Full consolidation
Preca-SIPPL (JV)	Full consolidation

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Preca-Solutions-sep22.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).