



## Press Release

**M/S Priti Construction**  
**February 04, 2022**

### Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicators
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	15.00	IVR A4	Revised from IVR A4+	Simple
<b>Total</b>	<b>15.00</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The revision in the aforesaid rating assigned to the bank facilities of M/S Priti Construction (PI) is driven by moderation in its scale of operation. However, the rating continues to derive comfort from its experienced promoters with long track record and proven project execution capability, comfortable capital structure and satisfactory debt protection metrics. Further, the ratings also consider PIL's moderate order book reflecting satisfactory near to medium-term revenue visibility. However, these rating strengths continues to remain partially offset by its exposure to geographical concentration risk, small scale of operation, susceptibility of profitability to volatile input prices, tender driven nature of business in highly fragmented & competitive construction sector and its partnership nature of constitution.

### Key Rating Sensitivities:

#### Upward Factors

- Growth in scale of business with improvement in revenue on a sustained basis.
- Improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure with improvement in the debt protection metrics

#### Downward Factors

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis.
- Moderation in the capital structure with overall gearing ratio deteriorated to over 1.5x and deterioration in interest coverage ratio to below 2.5x.



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- Stretch in timely receipts of contract proceeds impacting the liquidity leading to deterioration in working capital management and resulting in heavy utilisation of the existing limits.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Long track record of operations and experienced partners

Priti Construction, set up in 1977 by Ms Diwaliben R Shah and Mr Chirag Shah, having more than two decades of experience in this sector. Further, the firm has long track record of operations in the civil construction business.

##### Proven project execution capability

Over the years, the firm has successfully completed many projects across the country for various medium to large government companies. In order to manage the projects in a better way and to grow in a balanced way, the firm has a policy to take up short to medium term projects (1-2 years) and handle limited number of projects at a time to ensure timely completion. Earlier, the firm was blacklisted by MCGM, however, the same has been resolved and blacklisting has been removed.

##### Moderate order book giving visibility to revenue in the medium term though exposed to geographical concentration risk

The firm has moderate order book position of Rs.119.23 crore (5.92x of total revenue of FY21) as on December 16, 2021, which is expected to be executed in the coming one-two fiscals. However, the contracts are concentrated to Mumbai indicating to geographical concentration risk.

##### Comfortable capital structure with satisfactory debt protection metrics

The capital structure of the firm remained comfortable over the years marked by its satisfactory leverage ratios. The overall gearing of the firm improved from 0.46x as on March 31, 2020 to 0.43x as on March 31, 2021. Total indebtedness of the firm as reflected by TOL/TNW also stands moderate at 1.73x as on March 31, 2021. The debt protection indicators of the firm like interest coverage remains satisfactory at 2.40x in FY21. Further, Total Debt/GCA improved from 3.06 years in FY20 to 2.64 years in FY21 mainly due to improvement in cash accruals.



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### **Key Rating Weaknesses**

#### **Small scale of operation with moderation in FY21**

The operations of the firm remained small despite its long track record of operations. The total operating income of the firm stood small and moderated to Rs.19.84 crore in FY21. Small scale of operations restricts the financial flexibility of the firm to an extent.

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

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability of the firm remains susceptible to fluctuation in input prices. However, a presence of escalation clause in most of the contracts provides significant comfort.

#### **Tender driven nature of business in highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the firm's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

#### **Partnership nature of constitution**

Given the nature of constitution as a partnership firm, the entities remain exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement, or insolvency of partners.

### **Analytical Approach: Standalone**

#### **Reason for Change in analytical approach from consolidated to standalone:**

Earlier for arriving at the ratings, Infomerics has combined the financials of Priti Construction, RPS Infraprojects Private Limited, Shah & Parikh and Speco Infrastructure commonly



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referred as RPS Group as these entities have a common management team and operational & financial linkages. However, now Infomerics has reviewed the performance of these entities on standalone basis. The revision in analytical approach is because all these entities now operate independently.

### Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

### **Liquidity – Adequate**

The liquidity position of the firm is expected to remain adequate in the near term marked by its expected adequate cash accruals as against its nil debt repayment obligations. The firm is expecting to generate cash accruals to the tune of ~Rs.4.88-8.84 crore as against its nil debt repayment obligations during FY22-24.

### **About the Firm**

Priti Construction, set up in 1977, is promoted by Ms Diwaliben R Shah and Mr Chirag Shah, who has more than a decade of experience in construction business. The firm is mainly engaged in civil construction projects predominantly related to road construction, storm water drainage, and hydraulic engineering for government bodies.

### Financials (Standalone):

For the year ended / As on*	(Rs. crore)	
	31-3-2020	31-3-2021
	Audited	Audited
Total Operating Income	29.30	19.84
EBITDA	2.84	4.90
PAT	2.9	3.63
Total Debt	8.98	9.65
Tangible Net worth	19.73	22.35
EBITDA Margin (%)	9.68	24.69
PAT Margin (%)	9.58	17.57
Overall gearing	0.46	0.43

*\*Classification as per Infomerics Standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: NA**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2020-21 (October 12, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Bank Guarantee	Short Term	15.00	IVR A4	IVR A4+	-	-

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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



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	15.00	IVR A4

**Annexure 2: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Priti-Construction-lenders-feb22.pdf>

**Annexure 3: List of companies considered for consolidated analysis: Not applicable**

**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).