



## Press Release

### Pushpdeep Infrastructure Private Limited (PIPL)

**July 28, 2023**

#### Ratings:

(INR Crore)				
Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Cash Credit	5.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Proposed Long Term Fund Based Bank Facilities – Cash Credit	5.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Short Term Non Fund Based Facilities – Bank Guarantee	40.00 (increased from Rs.30 crore)	IVR A3 (IVR A Three)	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Proposed Short Term Non Fund Based Facilities – Bank Guarantee	10.00 (reduced from Rs.20 crore)	IVR A3 (IVR A Three)	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
<b>Total</b>	<b>60.00 (Rupees Sixty crore only)</b>			

*Details of Facilities are in Annexure 1*

#### Detailed Rationale :

The revision in the ratings assigned to the bank facilities of Pushpdeep Infrastructure Private Limited (PIPL) factors in the increase in scale of operations in FY23 along with stable profitability and adequate liquidity.

The ratings also take cognizance of the extensive experience of promoters in civil construction industry, moderate order book reflecting short term revenue visibility, healthy debt protection metrics and coverage parameters. The ratings is however



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constrained on account of the susceptibility of operating margins to volatility in input prices, risks related to the project execution; tender-driven nature of business; highly fragmented & competitive construction sector, moderate geographical concentration and high segmental concentration risk.

The rating was migrated to ISSUER NOT COOPERATING category as the company had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, PIPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

### **Key Rating Sensitivities:**

#### **Upward Factors:**

- Substantial & sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

#### **Downward Factors:**

- Any deterioration in revenue and/or profitability margin leading to deterioration in debt protection metrics may lead to a negative rating action.
- Decline in contract receipts

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

##### **Extensive Experience of Promoters in Civil Construction Industry**

PIPL is led by Mr. Deepak Kumar Agarwal (managing director of the company) and his eminent team of Directors and Managers who have a minimum relevant industry experience of 20 plus years. PIPL has good and established track record of more than 12 years as EPC Contractor. Extensive experience of the promoters in the civil construction industry helps the Company in bidding stages of the project. Also, established relations with suppliers helps the Company to timely procure materials and at competitive rates. The company has well established medium to long term tie ups with reputed customers in the EPC industry.



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### **Increase in scale of operations with largely stable profitability**

The company has registered total operating income of Rs.159.96 crore in FY23 (provisional) figs. as compared to the total operating income of Rs.128.86 crore registered in FY22 (A) which shows an increase of around 24%. The y-o-y growth in sales was on account of the speed up in order execution to meet the deadlines post facing slowdown due to the hinderance caused by spread of COVID-19 virus. With this improvement in the scale of operations the company reported largely stable profitability as indicated by the EBITDA margins and the PAT margins of 6.00-6.30% and 4.90-5.00% for the past two years ended March 31, 2023.

### **Moderate order book reflecting short term revenue visibility**

The company has a modest unexecuted order book of around Rs.159 crore as on 31st May 2023 with orders spread across 5 contracts translating to order book to TOI ratio of around 1 time of FY23 revenue. All of these orders are envisaged to be completed by the end of March 2024, leading to stable revenue visibility of 1 year, however the status of the company after the end of March 2024 and bidding and availing of fresh orders will remain a key rating monitorable. Also, the entire order book is composed of contracts from State / Central Government or Government Departments, thus reducing counter party credit risk to an extent. Constantly replenishing order book and executing the existing orders on time is a key monitorable for the companies in civil construction. Apart from above, the company is L1 for 4 orders amounting to around Rs.610 crore.

### **Healthy Debt protection and coverage parameters**

The Company has comfortable capital structure as envisaged by overall gearing ratio of the company at 0.02x as on March 31, 2023 (FY22 : 0.17x), mainly on account of the lower level of term debts, followed by lower reliance on fund based working capital limits from banks due to healthy operating cycles has helped the company to maintain better working capital cycle as compared to the other players in the industry. The



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Company also has comfortable debt coverage ratios as indicated by interest coverage ratio of ~19x as on March 31, 2023 (FY22 : 22.45x).

### **Key Rating Weaknesses:**

**Risks related to the project execution; tender-driven nature of business; highly fragmented & competitive construction sector**

PIPL operates in a tender based business and faces competition from other national level large players and small unorganized players who generally specialize in one or two business segments. Revenues are dependent on the company's ability to bid successfully for tenders, also bid based / tender based system for availing orders may exert pressure on the profitability of the company. Availing orders and timely execution of the same will remain a key rating monitorable. The company has unexecuted order book of Rs.159 crore, which shows short term revenue visibility of around 1 year.

### **Susceptibility of operating margins to volatility in input prices**

Major raw materials used in civil construction activities are steel & cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including subcontracting) costs forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including subcontracting) costs are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) costs. However, presence of escalation clause in most of the contracts protect the margin to a certain extent.

### **Moderate geographical concentration and high sector concentration risk**

The company's operation are distributed in the northern states of India such as Haryana, Delhi NCR, Uttar Pradesh, etc. Also the orders bid are concentrated in these states only. In the past the company has availed and executed various types of government projects such as road projects, etc., however in the recent



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past the company has started focusing on one segment only, ie the building construction segment, translation to high segmental concentration risk.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning Rating Outlook](#)

### **Liquidity: Adequate**

The liquidity position of the company remains adequate as cash accruals are healthy to meet incremental working capital limits. Further, the company had gross cash accruals of around Rs.8 crore in FY23. The overall average utilization of the fund-based and non-fund-based limits remains comfortable at 17% respectively during the last 12 months ended March 2023 providing additional liquidity cushion. The current ratio stood at 3.03 times as on 31st March 2023. Cash and cash equivalent amounted to Rs.32.50 crore as on 31st March 2023, which includes the lien marked FDs to the tune of Rs.5.00 crore. The company has comfortable working capital cycle of around 30-40 days resulting from the healthy collection cycle of around 55-75 days, including retention money.

### **About the Company :**

Pushpdeep Infrastructure Private Limited (PIPL), based in Ghaziabad (Uttar Pradesh), was incorporated on August 27, 2010 by taking over the partnership firm M/s. S. K. Gupta & Co. which was founded by father of Mr. Deepak Kumar Agarwal in 1977. Mr. Deepak Kumar Agarwal is the promoter of the company having experience of more than 20 years in civil construction. The company is registered with various government department and development authorities like Greater Noida Industrial Development Authority, Yamuna Expressway Industrial Development Authority, UP Awas Avem Vikas Parishad, Ghaziabad Development authority and New Okhla Industrial





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Government Authority. PIPL majorly focuses on construction of flats for Government department.

### Financials:

(INR Crore)

For the year ended / As On	31-03-2021	31-03-2022	31-03-2023
	(Audited)	(Audited)	(Provisional)
Total Operating Income	123.47	128.86	159.96
EBITDA	6.51	7.75	10.13
PAT	5.60	6.54	7.94
Total Debt	0.40	7.48	0.89
Adjusted Tangible Net-worth	38.56	45.12	53.06
<b>Ratios</b>			
EBITDA Margin (%)	5.27	6.01	6.33
PAT Margin (%)	5.99	6.72	6.58
Overall Gearing Ratio (x)	0.01	0.17	0.00

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years			
		Type	Amount O/s (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (June 05, 2023)	Date(s) & Rating(s) assigned in 2022-23 (April 01, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	5.00	IVR BBB-/ Stable	IVR BB+/ Negative; INC	IVR BBB-/ Stable	--	--
2	Proposed Long Term Fund Based Bank Facilities – Cash Credit	Long Term	5.00	IVR BBB-/ Stable	IVR BB+/ Negative; INC	IVR BBB-/ Stable	--	--
3	Short Term Non Fund Based Facilities –	Short Term	40.00	IVR A3	IVR A4+; INC	IVR A3	--	--



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	Bank Guarantee							
4	Proposed Short Term Non Fund Based Facilities – Bank Guarantee	Short Term	10.00	IVR A3	IVR A4+; INC	IVR A3	--	--

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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](http://www.infomerics.com).

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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 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 (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	5.00	IVR BBB-/ Stable
Proposed Long Term Fund Based Bank Facilities – Cash Credit	--	--	--	5.00	IVR BBB-/ Stable
Short Term Non Fund Based Facilities – Bank Guarantee	--	--	--	40.00	IVR A3
Proposed Short Term Non Fund Based Facilities – Bank Guarantee	--	--	--	10.00	IVR A3

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-pushpdeep-jul23.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 <https://www.infomerics.com/>.