



SMERA RATINGS LIMITED

Pochampad Construction Company Private Limited (PCCPL)

*Rating
Rationale*

October 01, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA BBB-/Stable (Assigned)
Overdraft	8.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	73.00	SMERA A3 (Assigned)
Bank Guarantee (Proposed)	40.00	SMERA A3 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) to the abovementioned bank facilities of Pochampad Construction Company Private Limited (PCCPL). The outlook is '**Stable**'. The rating draws support from the experienced management, strong project execution capabilities and reputed clientele. The ratings are also supported by the healthy financial risk profile and in-built price escalation clause in the contracts undertaken by the company. However, the ratings are constrained by the company's competitive and fragmented nature of business and exposure to intense competition in the construction industry.

PCCPL, incorporated in 2004, is a Hyderabad-based company engaged in the construction of intake wells, make-up water system and laying of pipes. Promoted by Rajender Velchala Rao who has around 30 years of experience in the infrastructure industry, the company has successfully executed projects worth ~Rs.450 crore over the last four years. PCCPL is registered as Class I civil contractor in Karnataka, Andhra Pradesh, Bihar, and Tamil Nadu and benefits from its long-standing relations with clients. The company has a strong order book position (as on December 31, 2015) that is reflected in the pending orders of ~Rs.515.19 crore, to be executed over the next three years. PCCPL's contracts have an in-built price escalation clause which shields the profit margin against volatility in raw material price.

PCCPL's healthy financial risk profile is reflected in the low gearing (debt-to-equity ratio) of ~0.45 times as on March 31, 2014. The company's strong coverage indicator is evidenced by the interest coverage ratio (ICR) of 3.30 times and debt service coverage ratio (DSCR) of 2.46 times in FY2013-14 (refers to financial year, April 01 to march 31).

Outlook: Stable

SMERA believes PCCPL will maintain a stable business risk profile over the medium term on the basis of several projects in the pipeline and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while achieving sustained improvement in profit margins. Conversely the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and

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profitability, or in case of deterioration in the company's financial risk profile on account of further stretch in liquidity position or larger than expected debt funded capex.

About the Company

PCCPL, a Hyderabad based company promoted by Mr. Rajender Velchala Rao started off as a proprietorship firm in 1992 to construct intake wells, and make-up water systems, lay pipes and take on infrastructure projects. The company in 2003 turned into a partnership firm and subsequently in 2004 became a private limited company.

PCCPL reported profit after tax (PAT) of Rs.3.30 crore on operating income of Rs.90.12 crore for FY2013-14, as compared with PAT of Rs.2.46 crore on operating income of Rs.98.76 crore in FY2012-13.

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