

Pochampad Construction Company Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	1.00	SMERA BBB-/Stable (Reaffirmed)
Overdraft	8.00	SMERA BBB-/Stable (Reaffirmed)
Overdraft (Proposed)	3.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee*	29.00	SMERA A3 (Reaffirmed)
Bank Guarantee#	44.00	SMERA A3 (Reaffirmed)
Bank Guarantee (Proposed)	37.00	SMERA A3 (Reaffirmed)

*Bank Guarantee is interchangeable with Inland Letter of Credit up to Rs.2.00 crore.

#Bank Guarantee is interchangeable with Inland Letter of Credit up to Rs.10.00 crore.

SMERA has reaffirmed the long term rating of **'SMERA BBB-' (read as SMERA triple B minus)** and short term rating of **'SMERA A3' (read as SMERA A three)** on the Rs.119.00 crore facilities and assigned long term rating of **'SMERA BBB-' (read as SMERA triple B minus)** on the Rs.3.00 crore bank facility of Pochampad Construction Company Private Limited (PCCPL). The outlook is **'Stable'**.

The ratings continue to derive comfort from the company's experienced management, strong execution capabilities and healthy profit margin. The ratings are also supported by the healthy financial risk profile and improvement in revenue Y-O-Y. However, the ratings are constrained by the competitive and fragmented business and exposure to intense competition in the construction industry.

Update

PCCPL is engaged in the civil construction business. The company reported profit after tax (PAT) of Rs.10.70 crore on operating income of Rs.204.55 crore for FY2015-16 (refers to financial year, April 01 to March 31) as compared to PAT of Rs.5.06 crore on operating income of Rs.119.27 crore in the previous year. The revenue stood at Rs.204.55 crore in FY2016 against Rs.90.12 crore in FY2013 registering a three year CAGR of 31.42 per cent. The company reported operating margin of 11.99 per cent for FY2015-16 vis-à-vis 9.40 per cent in the previous year. The current order book is around Rs.393 crore (as on September, 2016), which also lends revenue visibility over the medium term.

The financial risk profile continues to be healthy marked by high net worth of Rs.33.91 crore in FY2016 vis-à-vis Rs.23.28 crore in FY2015. The gearing stood at 0.60 times in FY2015-16 vis-à-vis 1.29 times in the previous year. Further, the debt protection metrics are comfortable with interest coverage ratio at 3.66 times vis-à-vis 2.78 times in the previous year. The debt service coverage ratio (DSCR) is at 2.60 times in FY2016 vis-à-vis 2.32 times in the previous year. The return on capital employed (RoCE) stood at 43.23 per cent for FY2015-16 vis-à-vis 28.39 per cent in the previous year.

The gross current asset days stood at 88 for FY2015-16 and are expected to be around 75-90 days over the medium term. PCCPL operates in a highly competitive and fragmented construction industry.

Rating Sensitivity Factors

- Sustaining scale of operations and profitability
- Efficient working capital management

Outlook-Stable

SMERA believes PCCPL's outlook will remain 'Stable' over the medium term on the back of the healthy project execution pipeline, experienced management and established relationships with government organisations. The outlook may be revised to 'Positive' in case the company generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position or delays in project execution.

About the Company

PCCPL was incorporated as a proprietorship concern in 1992 by Mr. Rajendar Rao and converted to a private limited company in 2004. The company undertakes construction of intake wells, make up water system, laying of pipes among others.

For FY2015-16, PCCPL registered profit after tax (PAT) of Rs.10.70 crore on operating income of Rs.204.55 crore, as compared with PAT of Rs.5.06 crore on operating of Rs.119.27 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
01 October, 2015	Cash Credit	1.00	SMERA BBB- (Assigned)	-	Stable
	Overdraft	8.00	SMERA BBB- (Assigned)	-	Stable
	Bank Guarantee	73.00	-	SMERA A3 (Assigned)	-
	Bank Guarantee (Proposed)	40.00	-	SMERA A3 (Assigned)	-

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ABOUT SMERA

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