

Press Release

POCHAMPAD CONSTRUCTION COMPANY PRIVATE LIMITED

February 26, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 122.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 122.00 crore bank facilities of POCHEAMPAD CONSTRUCTION COMPANY PRIVATE LIMITED. The outlook is '**Stable**'.

PCCPL was established 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 and related projects for government and semi government entities.

Key Rating Drivers

Strengths

- Established track record of operations and experience management**

PCCPL was incorporated in 2004 as a private limited company by Mr. Ranga Rao. Hence has its presence in construction business for over one decade.

- Long Association with government agencies**

PCCPL has executed projects for National Thermal Power Corporation (NTPC), Andhra Pradesh State Irrigation Development Corporation (APSIDC), Andhra Pradesh Public Service Commission, Rural Water Supply & Sanitation (RWS&S), Singareni Collieries etc. All these departments, being a government entity, counter-party default risk remains minimal. Although, risk associated with delayed payment exist but due to good liaisoning and promoter's extensive experience, PCCPL managed to collect payments within 90-95 days from work certification. With the promoter's extensive industry experience, timely execution of projects, the company has been able to establish long-standing relationship with its client.

- Healthy Order book position and healthy scale of operations**

The company have healthy order book position marked by current orders in hand of Rs. 270.00 crore as on date. In FY2016-17, PCCPL booked revenue of Rs. 187.17 crore as compared to Rs. 204.55 crore in FY2016.

- Healthy financial risk profile of the company**

PCCPL has healthy financial risk profile marked by tangible net worth of Rs. 187.17 crore as on 31st March, 2017 as against Rs. 204.55 crore as on 31st March, 2016. The gearing stood at 0.64 times as on 31st March, 2017 as against 0.60 times as on 31st March, 2016. The debt of Rs. 27.25 crore mainly consists of term loans of Rs. 15.59 crore and working capital borrowings of Rs. 8.48 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 3.31 times for FY2017 as against 3.66 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.47 times for FY2017 as against 2.60 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.44 times as on 31st March, 2017 as against 1.89 times as on 31st March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.41 times as on 31st March, 2017. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plans.

Weaknesses

SMERA Ratings Limited

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- **Competitive and fragmented industry**

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of biding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 26 years.

- **Tender based business**

The company is in the tender based business. This is one of the main reasons for the fluctuating revenue of the company.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes PCCPL will maintain a stable business risk profile in the medium term on account of its 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 maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	187.17	204.55	119.27
EBITDA	Rs. Cr.	22.61	24.52	11.21
PAT	Rs. Cr.	9.13	10.70	5.06
EBITDA Margin	(%)	12.08	11.99	9.40
PAT Margin	(%)	4.88	5.23	4.24
ROCE	(%)	33.99	43.23	42.70
Total Debt/Tangible Net Worth	Times	0.64	0.60	1.29
PBDIT/Interest	Times	3.31	3.66	2.78
Total Debt/PBDIT	Times	1.16	0.82	2.45
Gross Current Assets (Days)	Days	186	88	137

Status of non-cooperation with previous CRA (if applicable)

Not available

Any other information

Not available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument /	Term	Amount (Rs. Cr.)	Ratings/Outlook
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	Facilities			
30-Dec-2016	Cash Credit	Long Term	INR 1	SMERA BBB- / Stable
	Secured Overdraft	Long Term	INR 8	SMERA BBB- / Stable
	Proposed Secured Overdraft	Long Term	INR 3	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 29	SMERA A3
	Bank Guarantee	Short Term	INR 44	SMERA A3
	Proposed Bank Guarantee	Short Term	INR 37	SMERA A3
01-Oct-2015	Cash Credit	Long Term	INR 1	SMERA BBB- / Stable
	Secured Overdraft	Long Term	INR 8	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 73	SMERA A3
	Proposed Bank Guarantee	Short Term	INR 40	SMERA A3

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BBB- / Stable
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	29.00	SMERA A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	44.00	SMERA A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	37.00	SMERA A3

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smerra.in.

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