

Press Release

Prime Civil Infrastructures Private Limited

June 06, 2018

Rating Downgraded



| | |
|------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 35.00 Cr. |
| Long Term Rating | ACUITE BB-/ Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 25.00 crore bank facilities of Prime Civil Infrastructures Private Limited. Further Acuite has assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 crore bank facility. The outlook is '**Stable**'. The downgrade reflects operating loss incurred by the company in FY 2016 and FY 2017. The operating income before tax and other income stood at Rs.-0.34 in FY 2016 and Rs. -0.45 crore in FY 2017.

PC IPL was originally established in 1989 as a proprietorship firm i.e. Prime Engineers. The firm was reconstituted as a private limited company in 2009. PC IPL undertakes civil construction work and is registered as a 'Class AA' contractor with the Municipal Corporation of Greater Mumbai. The company also undertakes projects for Mumbai Metropolitan Region Development Authority, Maharashtra Housing and Area Development Authority, Maharashtra Industrial Development Corporation, and Public Works Department, Maharashtra. PC IPL constructs roads, bridges, buildings, and storm-water drainage systems.

Key Rating Drivers

Strengths

- **Established track record of operations and experience management**

The management of the company has extensive experience of about three decade in this industry. The day-to-day operations are managed by Mr. Narendra Chunalal Panani and Mr. Ronak Narendra Panani.

- **Healthy order book position**

The order book position is healthy marked by pending orders of ~Rs.452.00 crore to be executed by 2020-21. The company has further orders worth Rs~177.00 crore which are to be executed by 2025.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by networth of Rs. 23.55 crore as on March 31, 2017 as compared to Rs.21.81 crore as on March 31, 2016. The debt to equity declined to 0.70 times as on March 31, 2017 from 0.32 times as on March 31, 2016. The total debt of Rs. 16.39 crore consist of mainly working capital facilities Rs. 6.78 crore and unsecured loan from promoters Rs. 9.61 crore. The interest coverage ratio improved to 2.63 times as on March 31, 2017 from 2.05 times as on March 31, 2016.

Weaknesses

- **Modest Scale of operation**

The scale of operations is moderate despite being in the business for more than 25 years. The company has achieved operating income of Rs.54.13 crore in FY2016-17 as compared to Rs.63.19 crore in FY2015-16. Further the company has booked turnover of Rs.70.88 crore for FY17-18 (prov). In the context of the order book position, company may have to augment its execution capacity to complete orders within the time frame.

- **Intense competition and highly dependent on government contracts**

The company's business is tender driven, resulting in intense market competition. Since the company caters to government organisations including MCGM, MAHADA among others. Any delay in order completion can impact its revenue slowdown in order flow can impact revenues.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

Acuite believes PCIPL will maintain a stable business risk profile over the medium term backed by its established relations and experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and liquidity position

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 54.13 | 63.19 | 69.13 |
| EBITDA | Rs. Cr. | 2.87 | 3.14 | 4.77 |
| PAT | Rs. Cr. | 2.33 | 1.70 | 2.42 |
| EBITDA Margin | (%) | 5.29 | 4.97 | 6.90 |
| PAT Margin | (%) | 4.30 | 2.69 | 3.49 |
| ROCE | (%) | 17.00 | 14.61 | 16.29 |
| Total Debt/Tangible Net Worth | Times | 0.70 | 0.32 | 0.91 |
| PBDIT/Interest | Times | 2.38 | 2.05 | 2.62 |
| Total Debt/PBDIT | Times | 2.56 | 1.24 | 2.75 |
| Gross Current Assets (Days) | Days | 87 | 95 | 131 |

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

None

Any other information

"Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups".

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|------------------|--|
| 15-Jan-2018 | Cash Credit | Long Term | INR 10.00 | ACUITE BB / Stable Issuer not co-operating# |
| | Bank Guarantee | Short Term | INR 15.00 | ACUITE A4+ Issuer not co-operating# |
| 11-Aug-2016 | Cash Credit | Long Term | INR 10.00 | ACUITE BB/ Stable |
| | Bank Guarantee | Short Term | INR 15.00 | ACUITE A4+ |

The issuer did not co-operate; based on best available information.

***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 | 10.00 | ACUITE BB- / Stable (Downgraded) |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A4 (Downgraded) |
| Proposed Bank Guarantee/Letter of credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A4 (Assigned) |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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