

Press Release

Progressive Civil Construction Co Private Limited (PCCC)

May 10, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.90 Crore.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.16.90 crore bank facilities enhanced from Rs.13.00 crore of Progressive Civil Construction Co Private Limited. The outlook is '**Stable**'.

The Mumbai-based, Progressive Civil Construction Co Private Limited, established in 1976 as a partnership firm and later converted into private limited company in 1988. The company is engaged in construction of bridges and flyovers on tender basis for government and private companies. The company is led by Mr. Chandrakant M Abhang, Mr. Uday.C Abhang and Ms. Ashlesha C Abhang. The company is registered as Class-A1 contractor with PWD of Maharashtra.

Key Rating Drivers

Strengths:

- Established track record of operations and experienced management**

PCCC was established in 1976 as a partnership firm and subsequently converted into private limited company. The promoters have more than four decades of experience in execution of civil construction work.

- Association with government organisations**

PCCC has executed projects for the Ministry of Defence, Government of India, PWD of Maharashtra and other entities. The counter-party default risk is minimal as these are government entities. It also caters to a few private companies including Johnson & Johnson, Asian paints and L&T. The company has been able to establish long-standing relationships with the clients owing to the promoters' extensive industry experience and timely execution of projects.

- Comfortable order book position**

The company has a healthy order book position marked by orders in hand of Rs.80.67 crore as on December 12, 2017 to be executed by FY2018-19. Further, orders worth Rs.69.95 crore are under advanced stage of negotiations.

- Moderate financial risk profile**

PCCC has a healthy financial risk profile marked by fund infusion of Rs.1.07 crore in FY2016-17 resulting in net worth of Rs.12.92 crore as on 31 March, 2018. The company has low gearing of 0.42 times as on 31 March, 2017 as compared to 0.41 times as on 31 March, 2016. The total debt of Rs.5.45 crore consists of Rs.5.12 crore working capital facilities, Rs.0.20 crore long term loan from bank and Rs.0.13 crore long term borrowings from related parties. Interest Coverage Ratio declined from 4.54 times as on 31 March, 2016 to 3.93 times as on 31 March, 2017 due to decline in EBITDA margins. DSCR declined slightly from 3.65 times as on 31 March, 2016 to 3.27 times as on 31 March, 2017.

Weaknesses

• Decline in profitability margins

The EBITDA margins declined from 9.90 percent in FY2015-16 to 8.06 percent in FY2016-17 mainly on account of increase in raw material prices. On the same line, PAT margin also declined from 4.35 percent in FY2015-16 to 3.63 percent in FY2016-17. Further, the GCA (Gross Current Asset) days increased from 81 as on 31 March, 2016 to 145 as on 31 March, 2017.

• Moderate scale of operations

The scale of operations is moderate despite being in the business for more than four decades. The company has achieved operating income of Rs.30.42 crore in FY2016-17 as compared to Rs.26.30 crore in FY2015-16. Further as informed by the management, the company has achieved a turnover of Rs.20.98 crore from April, 2017 to November, 2017.

• Competitive and fragmented industry

The company's business is tender driven, resulting in intense market competition. However, the risk is mitigated to a certain extent considering the long track record of four decades in the said industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a 'Stable' outlook in the medium term on account of its experienced management and established relationships with government entities. The outlook may be revised to 'Positive' in case of 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 of lower-than-expected growth in revenues and profitability, deterioration in the 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.	30.42	26.30	36.71
EBITDA	Rs. Cr.	2.45	2.60	3.25
PAT	Rs. Cr.	1.10	1.14	1.44
EBITDA Margin	(%)	8.06	9.90	8.84
PAT Margin	(%)	3.63	4.35	3.93
ROCE	(%)	14.09	15.18	35.16
Total Debt/Tangible Net Worth	Times	0.42	0.41	0.46
PBDIT/Interest	Times	3.93	4.54	5.28
Total Debt/PBDIT	Times	1.68	1.54	1.52
Gross Current Assets (Days)	Days	145	81	102

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last threeyears)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Apr-2018	Cash Credit	Long Term	4.00	SMERA BB/Stable (Reaffirmed)
	Bank guarantee/Letter of Guarantee	Short Term	8.10	SMERA A4+ (Reaffirmed)
	Term loans	Long Term	0.90	SMERA BB/Stable (Reaffirmed)
16-Mar-2017	Cash Credit	Long Term	5.00	SMERA BB/Stable (Assigned)
	Bank Guarantee	Short Term	8.00	SMERA A4+ (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4+ (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA BB / Stable (Reaffirmed)

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ABOUT SMERA

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