Press Release

P Narasimha Rao & Co

20 June, 2018

Rating Re-affirmed

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BB- (Re-affirmed)
Short Term Rating	ACUITE A4+ (Re-affirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has re-affirmed long term rating of '**ACUITE BB-**' **(read as ACUITE double B minus)** and short-term rating of '**ACUITE A4+**' **(read as ACUITE A four plus)** on the Rs. 8.00 crore bank facilities of P Narasimha Rao & Co (PNRC).

PNRC, a partnership firm was established in 2004 by Mr. P Narasimha Rao, his son, Mr. P Jaganmohan Rao and their family members. The firm undertakes tender based contracts to construct roads and bridges in Andhra Pradesh and Telangana. In addition, the firm is a nominated contractor of JSW Steel Limited for its Bellary unit in Karnataka since 1994 for any civil construction within the unit.

Key Rating Drivers

Strengths

Experienced management

The partners P Narasimha Rao and P Jaganmohan Rao are actively involved in the day to day operations of the entity and have experience of over a decade in the construction industry.

Healthy Financial Risk Profile

The financial risk profile of PNRC is healthy marked by comfortable gearing and debt protection metrics and low net worth. The gearing (debt-equity) stood at 0.61 times as on 31 March, 2017 as against 0.44 times as on 31 March, 2016. Interest Coverage Ratio (ICR) stood at 3.14 times for FY2017 as against 4.50 times for FY2016. DSCR stood at 1.52 times for FY2017 as against 2.36 times for FY2016. The net worth stood at of Rs.8.68 crore as on 31 March, 2017 as against Rs.8.78 crore in the previous year.

Weaknesses

Modest Scale of operations

The scale of operations remains modest at around Rs.13.11 crs in FY2017 as against Rs 18.66 crs in FY 2016. During the current year the firm has achieved revenue of ~ 21 crs till 31st March'18 (prov).

Working capital intensive operations

The firm's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 338 days in 2016-17 as against 178 days in 2015-16. These high GCA days are emanates from collection period and inventory holding period of 47 days and 192 days respectively in FY17. Firm's operations are expected to remain working capital intensive, as the firm is engaged into the road and bridges construction, where a certain level of inventory is held as work in progress. Also working capital intensity is also reflected from the full utilization of the working capital limit of Rs 2.50 cr.

Moderate order book position
The order book position stands moderate with ~ Rs 35 crs of unexecuted orders as on 31st March'2018 (prov).

Outlook: Stable
ACUITE believes PNRC will maintain a stable business risk profile over the medium term. PNRC will continue to benefits from experienced management. The outlook may be revised to "Positive" in case the firm registers strong growth in scale of operations while registering sustained improvement in profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's scale of operations and profitability or capital structure, or in case of lengthening of working capital cycle.

Analytical Approach: ACUITE has considered the standalone business and financial risk profiles of PNRC to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.11	18.66	20.87
EBITDA	Rs. Cr.	2.22	2.79	2.89
PAT	Rs. Cr.	0.51	1.00	1.23
EBITDA Margin	(%)	16.90	14.97	13.85
PAT Margin	(%)	3.93	5.35	5.89
ROCE	(%)	10.90	15.62	18.69
Total Debt/Tangible Net Worth	Times	0.61	0.44	0.36
PBDIT/Interest	Times	3.14	4.50	5.04
Total Debt/PBDIT	Times	2.40	1.38	1.19
Gross Current Assets (Days)	Days	339	179	214

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition -https://www.acuite.in/criteria-default.htm
- Infra Entities -https://www.acuite.in/criteria-infra.htm
- Financial Ratios And Adjustments - https://www.acuite.in/criteria-fin-ratios.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
15th May17	Cash Credit	Long Term	2.50	ACUITE BB- (Assigned)
	Bank Guarantee	Short Term	5.50	ACUITE 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	2.50	ACUITE BB- (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE A4+ (Re-affirmed)

Contacts

Analytical	Rating Desk
Suman Chowdhury President – Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@acuiteratings.in	Varsha Bist Sr. Executive Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.