



Press Release
P DASARATHARAMA REDDY
September 23, 2025
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.00	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	8.00	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	27.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to ‘**ACUITE BB-**’(read as **ACUITE double B minus**) from ‘**ACUITE BB**’ (read as **ACUITE double Ba**) and short-term rating to ‘**ACUITE A4**’(read as **ACUITE A four**) from ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs. 27.00 Cr. bank facilities availed by P Dasaratharama Reddy (PDR). The outlook is '**Stable**'.

Rationale for rating downgrade

The rating downgrade takes into account significant decline in the top line of the firm on account of slow execution of work orders along with minimal growth in order book over the past two years. The current outstanding order book also stands low, providing limited revenue visibility. Further, the rating is also constrained on account of firm’s intensive working capital operations, marked by high receivables and significant geographical concentration. However, the rating draws comfort from experienced management and long track record of operations along with moderate financial risk profile.

Going ahead, the ability of the firm to improve its scale of operations and profitability, leading to improvements in overall financial risk profile, while avoiding any significant elongations in working capital cycle will remain key monitorable.

About the Company

Incorporated in 1998, P Dasaratharama Reddy is a Bengaluru based partnership firm, engaged in execution of civil construction projects including canals, roads and bridges, mostly for government departments in Karnataka like Cauvery Neeravari Nigam Limited. The firm has now also expanded into residential layout projects for private clients in the state. The current partners of the firm are Mr. Krishna Reddy, Mrs. Bhavani and Mr. Dinesh Reddy.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone view of the business and financial risk profile of PDR to arrive at the rating.

Key Rating Drivers

Experienced management and long track record of operations:

The managing partner, Mr. Krishna Reddy, has over two decades of experience in civil construction business. Further, the firm has a long track record of operations and has undertaken several government contracts related to road construction, irrigation, and drainage works, including sub-contracting works.

Moderate financial risk profile

The tangible net worth of the firm improved to Rs. 14.27 Cr. as of March 31, 2025 (Prov.) (Rs. 12.95 Cr. as of March 31, 2024), on account of accretion of profits to reserves. The debt majorly includes promoter loans and working capital borrowings, thereby, keeping the gearing moderate at 1.42 times as on March 31, 2025 (Prov.) (1.56 times as on March 31, 2024). The total outside liabilities/ tangible net worth (TOL/TNW) also improved and stood moderate at 2.01 times as on March 31, 2025 (Prov.) as against 2.25 times as on March 31, 2024. However, the firm has taken a long term debt loan of ~ Rs. 4 Cr. in FY2026, therefore, financial risk profile shall be a key rating monitorable.

Weaknesses**Declining operating performance**

The firm's operating income declined by ~47%, to Rs. 32.89 Cr. in FY2025 (Prov.), compared to Rs. 62.81 Cr. in FY2024. This reduction in turnover is due to lower volume of orders received from Govt. of Karnataka during FY2024 and FY2025, along with slower execution of the existing order book. However, the operating profit margin improved to 10.86% in FY2025 (Prov.), as compared to 9.59% in FY2024 owing to moderate efficiency of operations. The outstanding order book as on June 30, 2025 also stood low at ~Rs. 45.26 Cr, which provides minimal growth visibility. For Q1 FY2026, the firm has recorded revenue of Rs. 6.75 Cr.

Going forward, continued growth in the order book along with timely execution of the same shall be a key rating sensitivity.

Working capital intensive operations:

The working capital management of the firm is intensive in nature marked by elevated gross current assets(GCA) days of 388 days as of March 31, 2025(Prov.)(165 days as of March 31, 2024). The increase in GCA days is primarily due to an increase in debtor days to 247 days as of March 31, 2025(Prov.) as against 60 days in the previous year owing to delayed payment from Govt. of Karnataka. Therefore, the average utilisation of fund-based working capital limits remained high at ~ 91.61% during the six months ended June 2025 and that of non-fund-based limits stood at ~91.07% during the same period.

Acuite believes that the working capital operations of the firm continues to be intensive in nature owing to the nature of operations.

Inherent risk of capital withdrawal by partners

The firm is susceptible to the inherent risk of capital withdrawal given its constitution. Post significant withdrawal of funds by partners in FY24 of ~Rs 9.28 Cr, any further withdrawal of the partner's capital having a negative bearing on the financial risk profile shall be a key rating monitorable.

Tender based nature of operations and competitive industry

PDR is engaged in bidding for tenders in the water and irrigation contracts segment marked by the presence of several mid- to large-sized players, hence, the firm faces intense competition from other players in the sector. The risk becomes more pronounced as tendering is based on a minimum amount of bidding for contracts. The firm acquires tenders at competitive prices, which may affect its profitability. There are uncertainties attached to the allotment of tenders. However, the risk is mitigated to some extent, given the partner's experience of more than two decades in the industry.

Rating Sensitivities

- Growth in order book and timely execution of orders leading to substantial improvement in scale of operations while sustaining current profitability margin.
- Elongation of working capital requirements thereby affecting the liquidity profile.
- Any significant withdrawal of capital by partners or debt raise thereby impacting the financial risk profile.

Liquidity Position**Adequate**

The firm has generated adequate net cash accruals of Rs. 1.95 Cr. in FY2025 (Prov.) as against the repayment of Rs.0.44 Cr. for the same period. Going forward, it is expected to generate cash accruals in the range of Rs. 1.5 – 2.0 Cr. as against obligations of Rs. 0.41 – 0.97 Cr. over the same period. The unencumbered cash and bank balances stood at Rs.0.21 Cr. as on March 31, 2025 (Prov.). The current ratio of the firm stood moderate at 1.74 times as on 31 March 2025 (Prov.). However, the average utilisation of fund-based limits remained high at ~91.61% during the last six months ended June 2025, and for non-fund-based limits stood at 91.07% during the

same period.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	32.89	62.81
PAT	Rs. Cr.	1.32	2.55
PAT Margin	(%)	4.01	4.06
Total Debt/Tangible Net Worth	Times	1.42	1.56
PBDIT/Interest	Times	3.27	4.46

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jun 2024	Bank Guarantee/Letter of Guarantee	Short Term	13.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Secured Overdraft	Long Term	10.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Secured Overdraft	Long Term	4.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
30 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	18.00	ACUITE A4 (Reaffirmed)
	Secured Overdraft	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	1.00	ACUITE BB- Stable (Reaffirmed)
16 Feb 2022	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Secured Overdraft	Long Term	7.00	ACUITE BB- Stable (Downgraded from ACUITE BB)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A4 Downgraded (from ACUITE A4+)
Union Bank of India	Not avl. / Not appl.	Covid Emergency Line.	30 Dec 2021	Not avl. / Not appl.	30 Dec 2028	0.35	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.14	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Union Bank of India	Not avl. / Not appl.	Term Loan	16 Mar 2023	Not avl. / Not appl.	16 May 2028	0.16	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Union Bank of India	Not avl. / Not appl.	Term Loan	30 Jun 2025	Not avl. / Not appl.	30 Dec 2032	4.00	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)
Union Bank of India	Not avl. / Not appl.	Term Loan	16 Jan 2023	Not avl. / Not appl.	31 Jan 2028	0.35	Simple	ACUITE BB- Stable Downgraded (from ACUITE BB)

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