

Press Release

Precision Infratech Limited

September 25, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 85.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 85.00 crore bank facilities of Precision Infratech Limited. The outlook is '**Stable**'.

Precision Infratech Ltd (PIL), the erstwhile Precision Technofab & Engineering Ltd., is an engineering firm that undertakes turnkey contracts (design, fabrication, supply, erection & commissioning of steel structural work) for hydro mechanical equipment installations in India as well as abroad. The Ahmedabad-based company caters to the irrigation and power sectors in India and neighbouring countries.

Key Rating Drivers**Strengths**

- Long operational track record and experienced management**

The promoters, Mr. Bhaskar P. Vibhakar, Mr Nalin Vibhakar and Mrs. Minaxi Vibhakar, possess over two decades of experience in the engineering, procurement and construction industries. The extensive experience has helped the promoters forge long term relations with customers and suppliers.

- Moderate financial risk profile**

The financial risk profile is moderate with net worth of Rs.44.31 crore as on 31 March, 2017 (Provisional). The gearing is moderate and stood at 1.47 times as on 31 March, 2017 (Provisional) compared to 1.72 times as on 31 March, 2016. The total debt of Rs.33.51 crore, consists of inter corporate borrowing to the tune of Rs.33.51 crore as on 31 March, 2017. The interest coverage ratio (ICR) stood at 2.00 times for FY2017 (Provisional) compared to 1.77 times for FY2015. The NCA to TD stood at 0.07 times in FY2017. Further, PIL has unencumbered cash and cash equivalents of ~Rs.15.00 crore as on 31 March, 2017.

Weaknesses

- Fluctuating operating margins**

The operating margin has shown fluctuating trends on account of volatility in raw material prices (mainly steel prices). The operating margin (EBIDTA) stood at 13.07 percent in FY2017 (Provisional) compared to 8.97 percent in FY2016 and 13.51 percent in FY2015. The PAT margins stood at 3.52 percent in FY2017 (Provisional) compared to 1.61 percent in FY2016.

- Working capital intensive operations**

PILs operations are working capital intensive in nature with Gross Current Assets (GCAs) of 276 (Provisional) in FY2017 on account of high inventory and debtors of 138 days and 138 days

respectively. Further, the working capital limits have been fully utilised for the last six months ended June 2017.

• **Susceptibility of margins to fluctuations in raw material prices**

The profitability is susceptible to volatility in raw material prices (mainly metal and steel products). The company operates in a highly fragmented and competitive industry with large number of organised and unorganised players.

• **Fluctuating operating income owing to tender based business**

The operating income registered an uneven revenue trend due to slow order execution process and project-based business. The operating income stood at Rs.85.11 crore in FY2016 compared to Rs.69.08 crore in FY2015 and Rs.62.11 crore in FY2014. For FY2017 (Provisional), the operating income stood at Rs.63.82 crore. Further, PIL has unexecuted order book of Rs.336.11 crore as on June 2017 (from state government organisations in Arunachal Pradesh, Madhya Pradesh, Maharashtra, Uttaranchal among others) and Rs.150.00 crore (from Government of Bhutan and Nepal) to be executed in around three years. The company deals with government organisations and the business is tender based. Going forward, PIL's ability to bid for large orders and qualify for the same remains to be seen. However, the promoter's extensive experience and long term relations partially mitigate this risk.

Analytical Approach

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

Outlook: Stable

SMERA believes that PIL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.2.25 crore on operating income of Rs.67.62 crore as against net profit after tax of Rs.1.37 crore on operating income of Rs.85.11 crore in the previous year. The net worth stood at Rs.44.31 crore as on 31 March, 2017 (Provisional) as compared to Rs.42.07 crore as on 31 March, 2016.

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

None

Any other information

None

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)

Not Applicable

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	11.50	SMERA BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Sheetal Patankar Manager - Rating Operations Tel: 022-67141153 sheetal.patankar@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

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.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.