

Press Release

Pawar Patkar Constructions Private Limited

June 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 57.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 57.00 crore bank facilities of Pawar Patkar Constructions Private Limited. The outlook is '**Stable**'.

Nashik based Pawar Patkar Constructions Private Limited (PPCPL) was established as a partnership firms in 1997, later in 2006 the constitution was changed to private limited. The company is engaged in civil construction for roads and building works for Central Public Works Department, State Public Works Departments and Municipal Corporations, Indian Army and Navy, Maharashtra State Police Housing Corporation, Maharashtra State Warehousing Corporation.

Key Rating Drivers

Strengths

• Established track record of operations and experience management

Nashik based Pawar Patkar Constructions Private Limited (PPCPL) was established as a partnership firm in 1991, later in 2006 the constitution was changed and its name to Pawar Patkar Constructions Private Limited (PPCPL). The company is promoted by Mr. Sanjay Patkar and Mr. Kailash Pawar. The promoters are highly qualified (B.E. Civil Engineer) and possesses industry experience of over three decades. Further, the management is ably supported by qualified and experienced professionals which has resulted in gaining government contracts for Maharashtra State Police Housing & Welfare Corporation Ltd, PWD Nashik, Nashik Municipal Corporation among others.

• Healthy Financial Risk profile

The financial risk profile of the company is healthy marked by net worth of Rs.39.54 crore as on 31 March, 2018 (Prov.) as against Rs.32.09 crore in the previous year. Gearing (debt-equity) stood at 0.40 times as on 31 March, 2018 (Prov.) (Prev: 0.40 times). The total debt of Rs.15.62 as on 31 March, 2018 (prov.) comprises of term loan of Rs.3.07 crore and working capital facility of Rs.12.35 crore. Interest coverage ratio (ICR) stood at 6.54 times for FY2018 (prov.) as against 4.12 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.15 times as on 31 March, 2018 (Prov.) as against 0.94 times as on 31 March, 2017.

• Efficient working capital nature of operations

PPCPL operates in a comfortable working capital nature of operations marked by Gross Current Asset (GCA) days 174 for FY2018 (Prov.) as against 147 for FY2017. The debtor days stood comfortable at 30 days for FY2018 (Prov.) as against 32 in the previous year. The average cash credit utilisation stood at 85 per cent for last six months ending May, 2018.

Weaknesses

• Moderate scale of operations due to tender based nature of business

The operations are moderate despite the company being in the construction business for the last three decades. The operating income has been uneven during the period under study. Further, the revenue stood at Rs.97.33 crore for FY2018 (Prov.) as against Rs.86.00 crore for FY2017. Also, the performance is also susceptible to the tender based nature of business. The company is also exposed to intense competition from other contractors. Acuite believes that with unexecuted orders worth

~Rs.192 crore, there is a revenue visibility in the medium term.

• Competitive and fragmented industry

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 03 decades.

Analytical Approach

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

Outlook: Stable

Acuite believes that PPCPL will maintain a stable outlook over the medium term on the back its experienced management. The outlook may be revised to 'Positive' in case of strong growth in revenue with sustainability in profit margins and healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile and/or working capital management

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	97.33	86.00	92.55
EBITDA	Rs. Cr.	11.39	9.37	11.52
PAT	Rs. Cr.	4.95	3.50	3.90
EBITDA Margin	(%)	11.71	10.90	12.45
PAT Margin	(%)	5.09	4.07	4.21
ROCE	(%)	17.98	17.49	24.68
Total Debt/Tangible Net Worth	Times	0.40	0.40	0.48
PBDIT/Interest	Times	6.54	4.12	2.97
Total Debt/PBDIT	Times	1.37	1.31	1.15
Gross Current Assets (Days)	Days	174	147	146

Any other information

Not Applicable

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)

Not Applicable

*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	14.00	ACUITE BBB- / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE A3
------------------------------------	----------------	----------------	----------------	-------	-----------

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in</p> <p>Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

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.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.