

Press Release

Prime Developers

June 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 15.00 crore bank facilities of Prime Developers. The outlook is '**Stable**'.

Prime Developers, established in 1997 is a Mumbai-based partnership firm promoted by Mrs. Bharati K. Shah and Mr. Suryakant G. Shah. Prime Developers is registered as class AA, contractor specialised in executing civil contracts for Government Bodies such as MCGM, MMRDA, VVCMC, to name a few. Prime Developers executes civil contracts such as storm water drains, sewerage operations, roads, culverts, school and government building repairs.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Prime Developers is engaged in undertaking civil construction contracts for more than two decades. Further, the partners of the firm possess more than two decades of experience in the civil construction industry.

- **Above average financial risk profile**

The financial risk profile is above average marked by tangible networth of Rs.10.81 crore as on 31 March, 2017 as against Rs.7.25 crore in the previous year. The networth includes unsecured loan of Rs.5.87 crore as the same is subordinated to bank debt. The gearing stood at 1.11 times on 31 March, 2017 as against 1.85 times in the previous year. The total debt of Rs.12.03 crore includes interest bearing unsecured loans from family and relatives. Interest Coverage Ratio (ICR) stood at 1.43 times for FY2017 as against 1.46 times in FY2016. The total liabilities to tangible networth (TOL/TNW) stood at 1.91 times as on 31 March, 2017 as against 2.53 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.08 times in FY2017 compared to 0.04 times in FY2016. Going forward, Acuité expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

Weaknesses

- **Uneven revenue trend due to tender based operations**

Prime Developers registered operating income of Rs.13.32 crore for FY2017 as against Rs.5.21 crore for FY2016 and Rs.9.33 crore as on FY2015. The firm exhibits uneven trend in its operating income. Besides, the tender-based business makes it vulnerable to order cyclicity. The firm has reported operating income of Rs.51.29 crore for FY2018 (Provisional). Prime Developers has unexecuted order book position of Rs.47.46 crore to be executed by June 2019 that provides moderate revenue visibility over the medium term.

- **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature. Hence, any adverse movement in input costs can impact profitability. However, the firm reported EBITDA margin of 21.67 percent for FY2017 as against 20.06 percent in the previous year.

• **Partnership constitution**

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal. The partner's capital stood at Rs.4.94 crore as on 31 March, 2017 as against Rs.1.38 crore and Rs.4.70 crore as on 31 March, 2016 and 2015 respectively.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Prime Developers to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook on Prime Developers rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.32	5.21	9.33
EBITDA	Rs. Cr.	2.89	1.04	1.41
PAT	Rs. Cr.	0.89	0.44	0.79
EBITDA Margin	(%)	21.67	20.06	15.09
PAT Margin	(%)	6.66	8.36	8.44
ROCE	(%)	14.30	9.49	30.39
Total Debt/Tangible Net Worth	Times	1.11	1.85	0.08
PBDIT/Interest	Times	1.43	1.46	1.87
Total Debt/PBDIT	Times	3.79	8.43	0.49
Gross Current Assets (Days)	Days	367	454	67

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	2.00	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Aishwarya Phalke Analyst - Rating Operations Tel: 022-67141156 aishwarya.phalke@acuiteratings.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.

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.