

Press Release

P P Pandey Infrastructure Private Limited

November 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité 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. 50.00 crore bank facilities of P P Pandey Infrastructure Private Limited. The outlook is '**Stable**'.

P. P. Pandey Infrastructure Private limited (PPPIL) is engaged in mining and stone crushing. The company was established in 1992 as a partnership firm and later the constitution was changed to Private limited company in 2008. PPPIL is also engaged in the construction of road. The company is registered with various State and Central Government Agencies as class 'A' contractor.

Analytical Approach

Acuité has considered standalone business and financial risk profile of PPPIL to arrive at the rating.

Key Rating Drivers

Strengths

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

The company is promoted by Mr. Pateshwari Prasad Pandey having an industry experience of more than three decade. Mr. Pareshwari Pandey is supported by second generation, Mr. Manish Pandey (Mechanical Engineer) and Mr. Nitish Pandey (Civil Engineer) who possess industry experience of over a decade in civil construction industry.

- **Healthy order book position**

PPPIL has healthy order book position of Rs. 540.59 Crore to be executed in next two to three years. Of total order book position, Rs. 430.00 crore is for supply of stone grit to G R Infra Projects Limited. The order book position of the company gives a healthy revenue visibility for the company for near to medium term.

- **Moderate financial risk profile**

The financial risk profile of PPPIL is moderate marked by tangible net-worth of Rs. 22.13 crore (including quasi equity of Rs. 2.92 crore) as on 31st March 2018 as against Rs. 14.87 crore (including quasi equity of Rs.0.34 crore) as on 31st March 2017. The debt-equity (gearing) ratio deteriorated to 2.99 times as on 31st March 2018 as against Rs. 1.03 times as on 31st March 2017. The total debt of Rs. 66.15 crore as on 31 March 2018 includes long term debt of Rs. 42.68 Crore, working capital loan of Rs. 10.79 crore. Total outside liabilities to Total net worth (TOL/TNW) deteriorated to 3.82 times in FY 2018 as against 1.57 times in FY 2017. The Interest coverage ratio stood at 3.21 times in FY2018 as against 5.13 times in FY 2017. The deterioration in ratios is majorly on account of new debt funded capex of Rs. 52.89 Crore in FY 2017-18 to purchase their own fleets for supply of stone grit. Going forward Acuité expects the financial risk profile to remain at same level in the near term on account of major debt funded capital expenditure in FY2018 and its subsequent repayment obligations will be key rating sensitivity factor.

Weaknesses

- **Competitive and fragmented industry**

The company operates in the civil construction industry marked by intense competition from several mid to big sized players. However the risk is mitigated to an extent as the management has been in the business for over two decade.

Outlook: Stable

Acuité believes PPPIL will maintain a stable outlook and continue to benefit over the medium term owing to its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in working capital cycle or higher than expected debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.45	57.70	50.34
EBITDA	Rs. Cr.	12.75	5.28	4.28
PAT	Rs. Cr.	4.69	2.24	1.86
EBITDA Margin	(%)	18.09	9.15	8.51
PAT Margin	(%)	6.65	3.88	3.69
ROCE	(%)	15.73	15.39	17.52
Total Debt/Tangible Net Worth	Times	2.99	1.03	0.87
PBDIT/Interest	Times	3.21	5.13	5.31
Total Debt/PBDIT	Times	5.10	2.79	2.47
Gross Current Assets (Days)	Days	178	109	83

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB- / Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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