

Press Release

Prathima Infrastructure Limited

June 06, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	326.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	426.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.426.00 Cr bank facilities of Prathima Infrastructure Limited (PIL). The outlook is '**Stable**'.

The reaffirmation in ratings continues to take into account PIL's experienced promoters, established track record and healthy order book position. The rating also factors in its healthy financial risk profile. These strengths are, however, partially constrained by its The rating is also constrained by high segmental concentration and geographical concentration risk in its revenue profilee, inherent risk of susceptibility to tender based operations, intense competition due to the fragmented nature of the civil construction sector and working capital intensive nature of operations.

About the Company

Incorporated in 1991 by Mr. Srinivas Rao Boinipally, Prathima Infrastructure Limited (PIL) is a Hyderabad (Telangana) based company. PIL is a prominent infrastructure construction company with nearly 3 decades of experience in executing various infrastructure projects, especially in the irrigation segment. PIL jointly bids for irrigation contracts and also undertakes contract work on back to back basis as sub-contractor from reputed companies like Larsen & Toubro Limited (L & T), Navayuga Engineering Company Limited (NECL), Nagarjuna Construction Company Ltd (NCC), BVSR Constructions Private Limited (BCPL) among others. The company is registered as a special class contractor with the public works departments of Telangana.

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record, experienced management

Ms. Usha Rani Boinipally (Managing Director), Mr. B. Srinivasa Rao, and Ms Savithri Icchapurapu, the company's promoters, are actively involved in the company's day-to-day activities. They have over two decades of civil construction expertise, which has resulted in long-term relationships with government and corporate clients for repeat business. The Company executes irrigation projects as JV partner and also on a back to back basis as sub-contractor with reputed companies like Larsen & Toubro Limited (L & T), Navayuga Engineering Company Limited (NECL), Nagarjuna Construction Company Ltd (NCC), BVSR Constructions Private Limited (BVSR) among others. The extensive experience of the promoters is also reflected through the healthy compounded annual growth rate (CAGR) in total operating income of 41 percent over the period FY2018 to FY2022 (Prov). PIL has registered growth of around ~3.93 times over FY21 revenues. Acuité believes that healthy unexecuted order book, technical prowess and well-funded projects, promoter's established presence in the industry and strong counterparties will support PIL's business profile over the medium term.

Growth in operating income supported by healthy order book position and Technical prowess

The company had witnessed a substantial increase in order execution; it has reported revenue of Rs. 1822.21 Cr in FY2022 (Provisional) compared to Rs.462.99 Cr in FY2021, Rs.634.15 Cr in FY2020; backed by its healthy order inflow and ramp-up in execution over the last four years. As of March 31, 2022 PIL has an unexecuted order book position of Rs.2711 Cr; the same is estimated to be executed over the next 24 months which provides adequate revenue visibility over the medium term. Further, over the past three years, PIL equipped itself with strong line of equipment with investment of nearly Rs.142Cr on equipment and plant and machinery to support the growth in its execution capacity over the last 3 years. In FY2021, PIL has invested about 65 Cr in FY21 and FY22 on equipment and plant and machinery to meet the requirements of unexecuted order book. Acuité believes that similar growth trajectory is likely to continue over the medium term too.

Healthy financial risk profile

PIL's financial risk profile is healthy, marked by healthy capital structure and debt protection metrics. PIL has healthy net worth at Rs.325.17 Cr as on March 31, 2022 (Provisional) as against Rs.222.04 Cr as on March 31, 2021 due to improving profitability. Healthy net worth and low fun-based debt resulted in healthy gearing (debt-to-equity) and moderate total outside liabilities to tangible network (TOL/TNW) ratio of 0.65 times and 2.66 times respectively, as on March 31, 2022 (Provisional) vis-à-vis 0.67 times and 1.74 times as on March 31, 2021. Debt protection metrics are healthy, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 15.01 times and 0.56 times, respectively, in FY2022 vis-à-vis 4.86 times and 0.27 times for FY2021. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by expected ramp-up in operations and moderate routine capital expenditure towards addition and replacement of machinery and equipment.

Weaknesses

Working capital-intensive operations

PIL's working capital cycle is working capital intensive as reflected by its moderate GCA days in the range of 170-202 days over the last 3 years ending March 31, 2022 (Provisional). The GCA days are marked by low inventory days and moderate debtor days. PIL had inventory days of 7-48 days and debtor days of 51-90 days over the last 3 years ending March 31, 2022 (Provisional). PIL benefits from the ability to stretch towards its creditors and expenses

payable to sub-contractors during last two years; creditor days ranged between 364-1613 days. PIL's bank lines at 77 percent over the past 6 months ending March, 2022. The current ratio is modest about 1.23 times as on March 31, 2022. Acuité expects the operations of the PIL to remain moderately working capital intensive being Government projects wherein execution is more skewed towards last quarter, the operations continue to be working capital intensive over the medium.

High geographic and segment concentration risks

PIL remains exposed to geographical concentration risks as the orders are largely confined to Telangana which account for 100 percent of the unexecuted order book. Further, the segmental concentration of the order book is high with the irrigation contributing to 100 percent of the unexecuted order book, respectively. PIL is into irrigation projects, wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the infrastructure segment; further, it's dependent on state government's thrust on irrigation and other infrastructure works. Acuité believes that above stated risks are mitigated to an extent as management operating in this environment for nearly three decades.

Advances extended to Group companies and Investment in non-core businesses

PIL had extended Rs. 23.89 Cr and Rs. 23.56 Cr of loans and advances to Group companies in FY2022 and FY2021 respectively. Although, the advances extended to Group companies declined from Rs. 47.23 Cr in FY2019, the company is yet to receive the major portion of the amount; the same will remain a key monitorable over the medium term. PIL has invested about Rs. 141.35 Cr in Smartcities Development Enterprise Private Limited in non-core business. Acuité expects that any further investments or loans and advances to these companies will lead to deterioration in its financial risk profile and liquidity. Acuité expects that any further investments or loans and advances to these companies will lead to deterioration in its financial risk profile and liquidity.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Sustained increase in order inflow, providing adequate revenue visibility for the medium term
- Significant improvement in scale of operations, while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Timely execution of its large order book

Material covenants

None

Liquidity Position: Adequate

PIL's liquidity is adequate marked by moderate cash accruals to its repayment obligations albeit constrained by working capital intensive nature and modest current ratio. PIL generated cash accruals of Rs.117.56 Cr as against repayment obligation of Rs.34.67 Cr during as on March 31, 2022 (Provisional). The cash accruals of the PIL are estimated to remain around Rs. 75-90 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.25-35 Cr during the same period. PIL's operations are working capital intensive as marked by Gross Current Asset (GCA) days in the range of 170-202 days over the last 3 years ending March 31, 2022. Its working capital credit limits were utilised at about 77 per cent during the last 6 months period ended March 31, 2022. The current ratio is stood modest at 1.27 times as on March 31, 2022 (Provisional). The Civil construction business involves high dependence on non-fund based limits. The company utilised 55 percent of its non-fund based limits as on March 31, 2022. Acuité believes that the liquidity of the PIL is likely to remain

adequate over the medium term on account of adequate cash accruals against its repayment obligations and its internal accruals.

Outlook: Stable

Acuité believes that PIL will continue to benefit over the medium term due to extensive experience of its promoters, healthy order book and healthy financial risk profile. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while improving its profitability and working capital intensity. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in its revenues or significant volatility in its profitability or delay in order execution leading to significant time and cost overruns or any significant stretch in its working capital management or any large debt-funded capex or further investments made in its group/associate entities leading to deterioration in the financial risk profile and liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1822.21	462.99
PAT	Rs. Cr.	103.04	25.07
PAT Margin	(%)	5.65	5.42
Total Debt/Tangible Net Worth	Times	0.65	0.67
PBDIT/Interest	Times	15.01	4.86

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>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2021	Proposed Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	126.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Short Term	200.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
08 Jan 2020	Proposed Bank Facility	Long Term	50.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Short Term	200.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	126.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Cosmos Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	126.00	ACUITE A2 Reaffirmed
Cosmos Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A2 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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