



Press Release
PRATHIMA INFRASTRUCTURE LIMITED
August 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE BBB+ Stable Reaffirmed Positive to Stable	-
Bank Loan Ratings	416.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	476.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE BBB+**' (read as **Acuite triple B plus**) and the short term to '**ACUITE A2**' (read as **ACUITE A two**) on Rs.476.00Cr bank facilities of Prathima Infrastructure Limited (PIL). The outlook is revised to '**stable**' from '**positive**'

Rationale for revision of outlook:

The outlook is revised to 'Stable' from 'Positive' due to increasing proportion of unbilled revenues in the total sales of the Company. The unbilled revenues which stood at Rs.206.34 Cr as on March 31, 2022 surged to Rs.459.85 Cr as on March 31, 2023, while the operating income declined to Rs. 1260.40 Cr in FY2023 (Prov) as against Rs. 1831.85 Cr in FY2022. The increasing proportion of unbilled revenue underlies the elongated working capital cycle and increasing reliance of PIL on bank limits to fund its working capital requirements. The utilisation of fund based working capital limits for twelve months ended March, 2023 was ~76 percent, with several instances of more than 90 percent utilisation during some months in the quoted period.

The rating continues to derive strength from the healthy orderbook and healthy financial risk profile of PIL. As on April, 2023 the outstanding unexecuted orderbook stood at ~Rs.3368.31 Cr which will be executed over the medium term. The financial risk profile continues to remain healthy marked by healthy net worth position, capital structure and comfortable coverage indicators. Going forward, PILs ability to timely execute its healthy orderbook while maintaining its financial risk profile and timely realisation of unbilled revenues will remain a key rating monitorable.

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

Acuité 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 subcontractor 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 helped in attaining orders worth ~Rs.7000Cr which resulted in significant improvement of performance during the past 3 years. 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.

Improved operating performance supported by healthy orderbook position:

PIL reported a compounded annual growth rate of 65 percent over the past three years ended FY2023. The operating income stood at Rs.1260.40cr in FY2023 as against Rs.1831.85cr in FY2022 and Rs.462.99Cr in FY2021. The decline in operating income in FY2023 is primarily on account of delay in delivery of supplies from its primary vendor. As a part of project works, PIL requires electro mechanical items like pumps and accessories which are procured from a primary vendor. Due to the vendor's logistic problems, delivery schedule of various items was delayed, which subsequently slowed the project execution by PIL during the year. The operating margins of the company has ranged between 9-12 percent in the last three years. As on April, 2023 the outstanding unexecuted orderbook stood at ~Rs.3368.31 Cr which will be executed over the medium term. However, the orderbook remains susceptible geographical and segment concentration risks.

Healthy financial risk profile:

Financial risk profile of PIL is healthy, marked by healthy net worth position, capital structure and adequate coverage indicators. The net worth improved to Rs.398.63 Cr as on March 31, 2023 (prov.) as against Rs.327.14Cr as on March 31, 2022. Growth in net worth is primarily due to accretion of profits to reserves. The capital structure was comfortable as observed from gearing of 0.31 times as on March 31, 2023(Prov) against 0.65 times during previous year. Further to this, the total outside liabilities to net worth was at 1.35 times as on March 31, 2023 (Prov) as against 2.62 times in previous year. The coverage indicators were adequate with DSCR of 2.59 times as on March 31st 2023 (Prov.) as against 2.85 times as on March 31st 2022. Interest coverage stood at 9.50 times as on March 31st 2023(Prov.) as against 14.70 times as on March 31st 2022. Debt to EBITDA improved to 0.98 times as per FY23 (Provisionals) from 1.27 times during previous year. Acuite believes that financial risk profile of PIL will remain healthy in the medium term on account of healthy net worth and capital structure.

Weaknesses

Moderate intensive working capital cycle:

Working capital operations are moderately managed which is evident from GCA days of 181days during FY23 (prov.) against 169 days during FY22. Inventory days stood in the range of 4-7 days during the past 3 years. Timely receipt of bills from the customers helped in paying their subcontractors/ piece meal contractors timely which is evident from declining creditors days' trend from 145 days in FY21 to 105 days in FY22 further declined to 96 days in FY2023. PIL's bank limits were utilized at an average of 75 percent during the past 12 months ending March 31, 2023.. Acuite believes that the working capital operations will remain moderately intensive in the medium term.

Geographical and Segment concentration risk:

PIL remains exposed to geographical concentration risks as a significant majority of orderbook is confined to Telangana; ~74% of the unexecuted order book as on April constitutes of orders in Telangana. 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 cyclicalities in the infrastructure segment; further, it's dependent on state government's thrust on irrigation and other infrastructure works. However, PIL has taken steps in the previous two years to mitigate the concentration risk. It has received new orders from Tamil Nadu water board of worth Rs.817Cr which constitute laying of pipeline for Centra Government's Jal Jeevan Scheme.

Rating Sensitivities

- Sustained increase in order inflow medium term while improving operating revenue and margins.
- Any deterioration in financial risk profile led by more than expected infusion of debt.
- Any further deterioration in working capital operations.

Material covenants

None

Liquidity Position: Adequate

PIL has adequate liquidity which is evident from the sufficient Net cash accruals (NCA) against low debt repayment. The company has reported NCA's of Rs. 87.72Cr as on March 31, 2023(Prov) against repayment obligations of Rs.25Cr for equipment loans for the same period.. Going forward, the liquidity is expected improve with net cash accruals in the range of Rs 117-147 Cr over FY24-26 against repayment obligations of Rs. 3-22 Cr. Bank limits were utilized in the range of 70-76 percent during the past 12 months ending March 31, 2023. Further to this, the gross current assets days stood at 181 days during FY23

Outlook: Stable

Acuite believes that PIL will maintain 'Stable' outlook in the medium term on account of the experience of its promoters, healthy order book and healthy financial risk profile. The outlook may be revised to 'Positive' if the company sustains the growth in its operating revenue, improving profitability and working capital cycle. 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 cycle or any large debt-funded capex leading to deterioration in the financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1260.40	1831.85
PAT	Rs. Cr.	71.50	105.05
PAT Margin	(%)	5.67	5.73
Total Debt/Tangible Net Worth	Times	0.31	0.65
PBDIT/Interest	Times	9.50	14.70

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jul 2023	Bank Guarantee	Short Term	52.00	ACUITE A2 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	9.00	ACUITE A2 (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	65.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	190.00	ACUITE A2 (Reaffirmed)
	Proposed Letter of Credit	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Proposed Letter of Credit	Short Term	50.00	ACUITE A2 (Assigned)
06 Jun 2022	Proposed Bank Facility	Short Term	200.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	126.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Cosmos Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	52.00	ACUITE A2 Reaffirmed
Cosmos Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	65.00	ACUITE A2 Reaffirmed
Cosmos Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB+ Stable Reaffirmed Positive to Stable
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	190.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Reaffirmed Positive to Stable
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	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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