



Press Release
PRATHIMA INFRASTRUCTURE LIMITED
July 18, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	170.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	306.00	-	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.476.00 Cr. bank facilities of Prathima Infrastructure Limited (PIL). The outlook is '**Stable**'.

Rationale for reaffirmation:

The reaffirmation of rating favourably factors in PIL's healthy unexecuted order book and improved operating profit margin during FY2024. As on March 31, 2024, PIL's unexecuted order book stand at Rs.3710 Cr, which is 3.5 times the revenue compared to ~Rs.3000 Cr. order book as of March 31, 2023. The majority of irrigation works being in the end- stages resulted in better margins during FY2024. However, delays in commencing of new works yielded lower-than expected operating revenue for the year. The rating also factors in the deterioration of PIL's financial risk profile in FY2024, due to increased reliance on short-term bank debt for its working capital operations. Going forward, the company's ability in improving its scale of operations along with improvement in financial risk profile will be a key monitor able aspect.

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.

Unsupported Rating

Not Applicable

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 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 and experience of the management helped in attaining new orders from other departments such as railways during the past 2 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.

Improvement in operating margins albeit decline in operating revenue:

Despite a decline in revenue, PIL achieved improved operating margins in FY2024 (Prov.). The decrease in revenue to Rs. 1070.75 Cr. in FY2024 (Prov.) from Rs. 1262.27 Cr. in FY2023 was primarily due to delays in railway works. Additionally, the Kaleshwaram project's irrigation works, now nearing completion, also contributed to the lower-than expected revenue. However, the operating profit margins improved significantly to 14.67 percent in FY2024 (Prov.) from 10.20 percent in FY2023. The PAT margin also improved to 8.33 percent in FY2024 (Prov.) from 6.55 percent in FY2023. Acuite expects, PIL's revenue to grow in the range of Rs.1200-1400 Cr. over the medium term, supported by a Rs. 3710 Cr. unexecuted order book and anticipated Rs. 880 Cr. orders from railways.

Above-average financial risk profile:

PIL's financial risk profile is above average as reflected by healthy net worth position, healthy debt protection metrics and moderate capital structure. The company's net worth stood at Rs.489.50 Cr. as of March 31, 2024 (Prov.), compared to Rs.400.31 Cr. as of March 31, 2023. The improvement in net worth is due to accretion of profits to the reserves. PIL's capital structure is moderate as the gearing level deteriorated to 0.81 times as of March 31, 2024 (Prov.) from 0.45 times of March 31, 2023. Total outside liabilities to tangible net worth improved marginally to 1.27 times as of March 31, 2024 (Prov.), compared to 1.43 times as of March 31, 2023. The deterioration of gearing level is due to rise in overall debt levels to Rs.395.66 Cr. as of March 31, 2024 (Prov.) from Rs.181.13 Cr. of March 31, 2023. The company's debt protection metrics remained healthy, with an interest coverage ratio (ICR) of 6.32 times and a debt service coverage ratio of 2.82 times as of March 31, 2024 (prov.), compared to 9.01 times and 2.79 times respectively, as of March 31, 2023. However, despite the improvement in EBITDA, the debt-to-EBITDA has declined to 2.44 times as of March 31, 2024 (Prov.) from 1.29 times of March 31, 2023, due to rise in short term debt levels. Acuite expects PIL's financial risk profile to improve in the medium term due to its healthy net worth position and moderate capital structure.

Weaknesses

Intensive nature of working capital operations:

PIL's working capital operations are intensive in nature as evident by gross current days (GCA) of 303 days in FY2024 (prov.), compared to 226 days in FY2023. High GCA days are underpinned by the presence of huge amounts of unbilled revenue in other current assets which stood at ~Rs.474 Cr. as of March 31, 2024 (Prov.), compared to Rs.502.81 Cr. of March 31, 2023. PIL efficiently manages its receivables with the government departments, resulting in a collection period of less than 10 days in both FY2024 (Prov.) and FY2023. However, intensive working capital operations has led to high reliance on the fund based working limits, which stood at 71 percent in past 12 months ending May, 2024. Acuite believes that PIL's working

capital operations will remain intensive due to its nature of operations.

Increasing proportion of unbilled revenue in the total sales:

The company's unbilled revenue proportion to its total revenue has increased to 44 percent in FY2024, compared to 40 percent of FY2023. As a result, the working capital cycle has lengthened. During FY2024, PIL availed nearly Rs.222 Cr. short-term debt to support its working capital operations, leading to a significant increase interest expense to Rs.25.71 Cr. for the year, compared to Rs.15.55 Cr. in FY2023. However, Acuite observed from the debtors aging and monthly billing data that bills are typically collected within 1-2 months after they are raised. This efficiency in bill collection reflects positively on PIL. Acuite believes, that the unbilled revenue will similarly be realized within 1-2 months once it is certified.

Rating Sensitivities

- Improvement in operating revenue while maintaining the current profitability levels.
- Any further deterioration in financial risk profile led by lower-than expected cash accruals and more-than expected infusion of debt.
- Any further deterioration in working capital operations.

Liquidity Position : Adequate

PIL's has adequate liquidity, which is supported by healthy net cash accruals and cash & bank balances. The company had a repayment obligation of Rs.21.18 Cr. in FY2024 against net cash accruals of Rs.106.76 Cr. as of March 31, 2024 (Prov.). PIL has ~Rs.32 Cr. unencumbered cash and bank balances as on March 31, 2024 (Prov.) which provides additional comfort towards liquidity. Going forward the company is expected to generate cash accruals in the range of Rs.95-110 Cr, which would comfortably meet the debt repayment obligation range of Rs.4.5-4.5 Cr. over the next three years.

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 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1070.75	1262.27
PAT	Rs. Cr.	89.19	82.65
PAT Margin	(%)	8.33	6.55
Total Debt/Tangible Net Worth	Times	0.81	0.45
PBDIT/Interest	Times	6.32	9.01

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>
- 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>

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
01 Aug 2023	Bank Guarantee (BLR)	Short Term	52.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	65.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	100.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	190.00	ACUITE A2 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	9.00	ACUITE A2 (Reaffirmed)
04 Jul 2023	Cash Credit	Long Term	50.00	ACUITE BBB+ Positive (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	52.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	65.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	190.00	ACUITE A2 (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB+ Positive (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	9.00	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	Bank Guarantee (BLR)	Short Term	126.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	200.00	ACUITE A2 (Reaffirmed)
30 Mar 2021	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee (BLR)	Short Term	126.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Long Term Bank Facility	Long Term	50.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Short Term Bank Facility	Short Term	200.00	ACUITE A2 (Upgraded from ACUITE A3+)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE A2 Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	120.00	ACUITE A2 Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	90.00	ACUITE A2 Reaffirmed
Cosmos Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	130.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BBB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	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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