

Press Release

A Purushottam Constructions Private Limited

August 31, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	ACUITE BB/ Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.20.00 crore bank facilities of A Purushottam Constructions Private Limited (APCPL). The outlook is '**Stable**'.

Incorporated in the year 2012, APCPL is engaged primarily in the execution of construction projects such as non-residential, residential buildings, hospitals, labs, hostels, staff quarters to name and other such allied activities. The company is registered with the Military Engineering Services Department (MES) and Central Public Works Department (CPWD) and it has been recently upgraded from Class I to Class IA. APCPL was established as a partnership firm in 1971 and later reconstituted as a private limited company in 2012. The company was founded by Mr. A Purushottam Nankani who looks into day to day operations along with Mr. Manohar Nankani and Mr. Deepak Nankani.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company has a long track record of over five decades of experience in the civil construction business with an established record of project execution related to non-residential, residential buildings, hospitals, labs, hostels, staff quarters and other such allied activities. APCPL business risk profile is supported by director's extensive industry experience. The chairman and managing director, Mr. A. Purushottam Nankani has more than five decades of experience in executing civil contract works. The company was founded by Mr. A Purushottam Nankani and is currently managed by him along with Mr. Manohar Nankani (Executive Director) and Mr. Deepak Nankani (Director).

Acuité believes that APCPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term

- **Healthy financial risk profile**

The financial risk profile is healthy, marked by moderate net worth and healthy debt protection indicators. The net worth stood moderate at Rs.4.29 crore as on 31 March, 2019 increasing from Rs.2.63 crore as on 31 March, 2018. The gearing improved to 0.45 times as on 31 March, 2019 from 0.58 times in the previous year. The total debt consist of unsecured loans amounts to Rs.1.91 crore as on 31 March, 2019. The TOL/TNW also stood at 2.07 times as on 31 March, 2019 as against 2.03 times as on 31 March, 2018. Low reliance over external borrowings has led to healthy coverage indicators marked by interest coverage ratio, which improved to 5.78 times in FY2019 from 2.74 times in FY2018. Further, the net cash accruals of the company stood healthy at Rs.1.92 crore in FY2019 as against nil debt maturity obligation of during the same period. This has reduced reliance on external debt to a large extent.

Acuité believes the company will be able to maintain the healthy financial risk profile in the absence of any major debt-funded capex plan.

Weaknesses

- **Revenue visibility**

The company is currently executing orders for government entities like the Central Public Works Department

(CPWD) and Military Engineering Services Department (MES). Going forward, the revenue visibility of APCPL is constrained as it has an unexecuted order amounting to Rs.27.28 crore as on 31st March 2020 that are expected to be completed in FY2021.

Acuité believes that the company's ability to acquire new contracts will remain critical to rating sensitivity.

• Competitive and fragmented Industry

The company is engaged as a civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as Mr. A. Purushottam Nankani has been operating in this environment for the last 5 decades.

• Tender based business

The company deals with a government organisation that provides orders on a tender basis. The company has to bid for tenders. Going forward, the company's ability to bid for orders and qualifying for the same remains to be seen. However, the director's experience and relationship partially mitigate this risk.

Liquidity position: Adequate

The liquidity position of the company is adequate, marked by moderate cash accruals vis-à-vis debt repayment obligation. The cash accruals for FY2019 is Rs.1.92 crore as against nil debt repayment obligation. Average bank limit is utilization for the past six months ended March 2020 stood at ~50%. The current ratio was at 1.78 times as on March 31, 2019.

Acuité believes that going forward, the liquidity position of the company will continue to remain adequate in the medium term.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in liquidity

Material Covenants

None

Outlook: Stable

Acuité believes APCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's profitability or significant deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	38.12	13.11
PAT	Rs. Cr.	1.78	0.46
PAT Margin	(%)	4.66	3.52
Total Debt/Tangible Net Worth	Times	0.45	0.58
PBDIT/Interest	Times	5.78	2.74

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

None

Any other information

None

Applicable Criteria

- Infrastructure Entities: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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