

Press Release

P And C Projects Private Limited

March 28, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	172.14	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	414.60	-	ACUITE A2 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	586.74	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.586.74 Cr. bank facilities of P and C Projects Private Limited (PCPPL).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account of the improvement in the operating income of the company, the rating also draws comfort from experienced promoter and the company's long track record in the industry. These strengths are however, offset by the working capital intensive in nature of operations along with average financial risk profile.

About the Company

Established in 1972 and based in Erode (Tamil Nadu), P&C Projects Private Limited (PCPPL) was initially set up as partnership firm by Late Mr. S P Periasamy and Mr. S P Chinnasamy. Later in year 1994, the firm's constitution was changed into a private company 'P&C Constructions Private Limited'. The company was later renamed as P&C Projects Private Limited (PCPPL) and currently is managed by Mr. S P Chinnasamy and second-generation team of Mr. S P Ravishankar, Mr. S P Rajesh, Mr. S C Sivakumar and other family members.

PCPPL, a family owned business, undertakes civil construction activities primarily that of Roads, Highways, Buildings, Irrigation, Water supply and sewage/effluent treatment segments. The company is a 'Special Class' contractor registered with Government of Tamil Nadu, Kerala, Karnataka, etc. and undertakes works for Public Works Department, Municipal authorities, Roads & Buildings Department and State and National Highway authorities.

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Analytical Approach

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

Key Rating Drivers

Strengths

Augmentation in business risk profile supported by growing order book

The operating revenue of the company improved to Rs.745.79 crore in FY2022 as compared to Rs.621.85 crore in FY 2021; the revenue has increased due to better project execution and improvement in order book position. The company has reported provisional revenue as on 31st December 2022 of Rs.519.17 crore and projects Rs.800 crore of revenues for FY2023. Despite high labour cost amid the economic slowdown and higher cost inventory; the margins were stable for FY 2022 and FY 2021. The operating margin stood at 11.28 per cent in FY2022 as compared to 10.94 per cent in the previous year. The PAT margins marginally increased to 5.81 per cent as on FY2022 as against 5.36 per cent as on FY2021. The RoCE levels for the company improved slightly to 22.19 per cent in 2022 as against 21.48 per cent in FY2021. Though the company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts.

The company has strong order book position with unexecuted orders in hand for infrastructure projects worth around Rs.2300 crore which are to be executed in the upcoming two to three years, thereby providing strong revenue visibility in the medium term. Majority of the Company's order book comprised of PWD and state highway orders. The other order book comprises of orders from PWD, Chennai Metro, HAL, Nalanda University & CPWD.

Above Average Financial Risk Profile

PCPPL's financial risk profile is moderate, marked by improving net worth, modest gearing and adequate debt protection metrics. The tangible net worth of the firm improved to Rs.247.22 crore as on March 31, 2022 from Rs.205.25 crore as on March 31, 2021. Gearing of the firm improved marginally to 0.57 as on March 31, 2022 as compared to 0.65 as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.36 times as on 31st March, 2022 as against 1.40 times as on 31st March, 2021. The moderate debt protection metrics of the firm is marked by Interest Coverage Ratio at 4.18 times and Debt Service coverage ratio at 2.63 times as on 31st March, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.38 times as on 31st March, 2022.

Promoters' extensive experience in civil construction industry with established track record of operations in southern region

PCPPL, a special class civil contractor, has established presence in executing projects related to buildings, water treatment plant, irrigation, roads and highways amongst others for both public and private sector. Mr. S P Chinnasamy, the chairman of PCPPL, has more than four decades of experience in the line of civil construction. With the promoters' extensive industry experience and timely execution of its past projects, PCPPL has been able to establish long-standing relationship with various government divisions such as Central Public Works Department (CPWD), Chennai Metropolitan Development Authority (CMDA), Public Works Departments, Tamil Nadu Water Supply and Drainage Board, Tamil Nadu Road Sector Project (TNRSP), many region-wise principals and national highway authorities amongst others. As on December 31, 2022, PCPPL has an unexecuted order book position of approx. Rs.2300 Cr; estimated to be executed over the next 24-36 months providing long-term revenue visibility. The outstanding order book is 3.08x of the FY2022 revenue of Rs.745.79 crore.

Weaknesses

Delays in work order execution, extensions undertaken from the authorities

The outstanding order book is 3.08x of the FY22 revenue of Rs.745.79 crore; for orders past

completion date, management has received the extension from the respective authorities and the pending work is to be executed in near term and has resulted in locking of its working capital limits for more than expected time and may result in cost overrun including additional finance cost.

Susceptibility to tender-based operations

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency remain critical for the company.

Tender based nature of operations, Central & State funded projects

PCPPL executes only tender based projects funded by central government, state government bodies and international development agencies such as World Bank and Asian Development Bank (ADB) with low reliance on work received as a sub-contracting work from other entities. The funded projects are either budgetary support or funded from a consortium of banks. The bank guarantees (BG) submitted are typically 3.0-5.0 percent of the total work order value. In case of retention money, BGs have to be carried till completion of defect liability period, resulting in high working capital requirement in form of non-fund based limits. The defect liability period varies from segment-to-segment in the civil infrastructure sector. The company raises bills on milestone (stage) basis. PCPPL has the option of availing mobilization advance and usually avails the same based on project requirements. PCPPL's management avails the mobilization funds in projects funded by World Bank and Asian Development Bank (ADB) as the advances are interest free, whereas on other hand, the advances from domestic principals carries interest rate of around 12.00 percent. The percentage of retention money is determined on the basis of the contract size, nature of work and the customer. The authorities keep on realizing the mobilization advances money with every monthly bills.

Rating Sensitivities

None

Material covenants

None

Liquidity Position

Adequate

The liquidity position of the company is adequate marked by healthy net cash accruals against matured debt obligations. The company reported net cash accruals of Rs.53.63 crore as on March 31, 2022 against debt repayment of Rs.9.84 crore over the same period. The operations of the company remain working capital intensive which led to high reliance of working capital limits for smooth running of business. The company has high Gross Current Assets (GCA) of 198 days in 31st March 2022 as compared to 195 days in 31st March 2021. As a result, the fund-based limit of Rs.169.83 crore remained utilized at average at ~76 per cent over the twelve months ended January' 2023. The cash and bank balances of the company stood at Rs.8.22 crore as on March 31, 2022. The current ratio stood comfortable at 1.61 times as on March 31, 2022.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	745.79	621.85
PAT	Rs. Cr.	43.32	33.31
PAT Margin	(%)	5.81	5.36
Total Debt/Tangible Net Worth	Times	0.57	0.65
PBDIT/Interest	Times	4.18	3.84

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

Brickwork Ratings vide its press release dated 7.10.2022, had downgraded the company to BWR BB+/A4+; INC

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>

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
07 Jan 2022	Secured Overdraft	Long Term	35.00	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	11.70	ACUITE BBB+ Stable (Assigned)
	Working Capital Term Loan	Long Term	3.94	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	140.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	28.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	33.65	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	80.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	27.95	ACUITE A2 (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB+ Stable (Assigned)

Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Assigned)
Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Assigned)
Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Assigned)
Proposed Bank Guarantee	Short Term	70.00	ACUITE A2 (Assigned)
Proposed Bank Guarantee	Short Term	20.00	ACUITE A2 (Assigned)
Proposed Cash Credit	Long Term	9.50	ACUITE BBB+ Stable (Assigned)
Proposed Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Assigned)
Secured Overdraft	Long Term	10.00	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
Indian Overseas Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	140.00	ACUITE A2 Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.95	ACUITE A2 Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	80.00	ACUITE A2 Reaffirmed & Withdrawn
Catholic Syrian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2 Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	33.65	ACUITE A2 Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A2 Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB+ Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Reaffirmed & Withdrawn
Not	Not	Proposed	Not	Not	Not			ACUITE A2

Applicable	Applicable	Bank Guarantee	Applicable	Applicable	Applicable	Simple	90.00	Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	49.50	ACUITE BBB+ Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB+ Reaffirmed & Withdrawn
Catholic Syrian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	11.70	ACUITE BBB+ Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	3.94	ACUITE BBB+ Reaffirmed & Withdrawn

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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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