

Press Release

PRA India Private Limited (Erstwhile P R Agrawal Project Private Limited)

April 06, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating to **ACUITE A- (read as ACUITE A minus)** and it has also reaffirmed, the short term rating to **ACUITE A2+ (read as ACUITE A two plus)** on the Rs.42.00 Cr of bank facilities of PRA India Private limited (PIPL). The outlook is 'Stable'.

Rating Rationale

The reaffirmation of the ratings continues to remain underpinned from experienced promoters and its established presence in the civil construction industry and healthy revenue visibility with orders from reputed clientele. The above rating strengths, however constrained by its geographical concentration risk, equity commitments towards HAM projects, the inherent lifecycle risks in the HAM projects, including, inter alia, variability of annuities to changes in bank rate and inflation indices during both execution and operation stages, moderate level of financial support towards special purpose vehicles (SPVs) in which PIPL has 26 per cent stake apart from inherent cyclical trends associated with the construction sector.

About Company

Chhattisgarh based, PRA India Private limited (PIPL) was incorporated in 2019 by Mr. Rajesh Kumar Agrawal. The company is engaged in civil construction work and currently undertakes projects subcontracted by Barbrik Project Limited.

About the Group

Barbrik Project Limited (BPL) was established as a partnership firm in 1985 and subsequently converted into a private limited company in 2008. The entity has been promoted by the Agarwal family of Chhattisgarh and is engaged in the construction of roads, bridges and highways. The company is a registered contractor for Public Works Department (PWD) of Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha and Bihar along with National Highway Authority of India (NHAI) and State Highway Authority of Jharkhand (SHAJ). The company is also engaged in undertaking logistic service for Central Coalfield Limited, Northern Coalfield Limited and Adani Enterprises Limited. Currently, the company is managed by Mr. Ramesh Kumar Agrawal, Mr. Rajesh Kumar Agrawal, Mr. Kanhaiya Lal Agrawal, Mr. Ayush Kumar Agrawal and Mr. Sourabh Agrawal.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the financial and business risk profile of Barbrik Project Limited (BPL) and PRA INDIA PRIVATE LIMITED (PIPL). The group is herein being referred to as Barbrik Group. The same is on account of common management, same line of operations and significant operational and financial linkages.

Key Rating Drivers

Strengths

Experienced management and healthy order book

The group has a long execution track record of thirty five years in the civil construction business with an established track record of projects related to road, highways and bridges. The promoters of the group Mr. Ramesh Kumar Agrawal, Mr. Rajesh Kumar Agrawal, Mr. Kanhaiya Lal Agrawal possesses more than three decades of experience in the infrastructure industry. The second-generation promoters Mr. Ayush Kumar Agrawal and Mr. Sourabh Agrawal (son of Mr. Ramesh Kumar Agrawal) have joined the business and also have experience of more than a decade in the infrastructure industry. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade. The timely execution of the projects has helped the group to improve its market presence in Odisha, Chhattisgarh, Madhya Pradesh, Jharkhand and Maharashtra.

Group has bagged a HAM project of Rs 865 crore from NHAI through its SPV PRA Hatibena Badakumari Expressway (PRA HBEPL). PRA Group has a 100 percent stake in PRA HBEPL. (Sponsor- Barbrik Projects Ltd-76% and PRA India Private Limited -24%). The said project received its appointment date on 4.03.2022 and its ROW is around 90%. The scheduled date for achieving the 35% physical progress milestone was 03.03.2023. In this regard, the group is ahead from the scheduled timeline and had achieved the aforesaid milestone 1 and half months before the timeline. Further the HAM Project had completed 40% physical progress as on 28.02.2023, which concludes that the company has achieved its 5th payment milestone in terms of physical progress and also have received the payment for the same and it clearly depicts the strength and experience of the sponsors. Further, the group has bagged another HAM project of Rs 732 crore plus GST from NHAI through its SPV PRA Gola Ormanjhi Highway Private Limited (PRA PGOHPL). Project has low funding and implementation risk as PRA PGOHPL has tie-up with Canara Bank and Union bank of India to fund the project and project execution is undertaken by PRA India Private Limited. Groups' order book stands at Rs 2,826 crore, with major contributions from the by-roads – HAM, roads – EPC, coalover burden removal, and hydro power segments. Group's scale of operation had witnessed improvement as reflected from revenue of Rs 538.69 crore in FY22 as against 507.76 crore in FY21. Acuite believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

Comfortable financial profile

The financial risk profile of the group is marked by high net worth, low gearing and healthy debt protection metrics. The net worth of the group stood at Rs. 283.88 crore in FY 2022 as compared to Rs 239.54 crore in FY2021. The gearing of the company stood low at 0.31 times as on in FY 2022 when compared to 0.33 times as on in FY 2021. Interest coverage ratio (ICR) is strong and stood 8.04 times in FY2022 as against 6.76 times in FY 2021. The debt service coverage ratio (DSCR) of the group also stood comfortable at 1.74 times in FY2022 as compared to 2.09 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.76 times in FY2022 as compared to 0.86 times in the previous year. Going forward, Acuite believes the financial risk profile of the group will remain healthy on account of steady net cash accruals and no major debt funded capex plan.

Healthy profitability margins

The group has healthy profitability margins both at the operating and net level. The operating profitability margin of the group moderated to 16.22 per cent in FY2022 as compared to 17.48 per cent in the previous year due to change in project mix and increase in input prices such as bitumen, steel and cement. Group has a price escalation clause, but it generally follows with a lag. Going forward, the group will focus on margin accretive projects, which will improve its margin. The profit after tax (PAT) margins of the group stood at 8.23 percent in FY 2022 as against 8.96 percent in the preceding year. Since a significant share of the group's existing orders are for road projects and the inclusion of an adequate price escalation clause with the counterparty, Acuite believes the group's profitability margin will be maintained at healthy levels over the medium term.

Weaknesses

Working capital management

The operation of the group is working capital intensive marked by high gross current asset days (GCA) of 190 days in FY2022 as compared to 206 days in the previous year. Moreover, the inventory days of the company has increased to 74 days in FY2022 as compared to 64 days in the previous year. This increase in inventory is mainly due to increase in work-inprogress inventory during 31st March 2022. The debtor days of the group has also increased to 62 days in FY2022 as compared to 58 days in the previous year. Further, the high GCA days also emanates from the high other current asset of Rs.96.31 cr. in FY 2022 which mainly consists of short term security deposit of Rs.69.91 cr., loan and advances of Rs.20.69 cr., and rest is other current asset

Rating Sensitivities

Scaling up of operations while maintaining their profitability margin

Timely execution of orders

Sustenance of existing financial risk profile with healthy capital structure

Material Covenants

None

Liquidity Position

Adequate

The group has adequate liquidity marked by comfortable net cash accruals of Rs.67.15 crore as against Rs.36.40 crore long term debt obligations in FY2022. The bank limit of the company has been ~58 percent utilized during the last eleven months ended in February 2023. In addition, the company had witnessed an improvement in GCA days as it stood at 190 days in FY2022 as against 206 days in FY2021. The current ratio of the group stood moderate at 1.04 times in FY2022. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes the group's outlook will remain 'stable' over the medium term on account of the vast experience of the promoters, long execution track record, healthy order book position and strong financial risk profile. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	538.69	507.76
PAT	Rs. Cr.	44.34	45.48
PAT Margin	(%)	8.23	8.96
Total Debt/Tangible Net Worth	Times	0.31	0.33
PBDIT/Interest	Times	8.04	6.76

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
17 Nov 2022	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
28 Dec 2021	Proposed Bank Guarantee	Short Term	9.00	ACUITE A2+ (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
16 Oct 2020	Proposed Cash Credit	Long Term	1.00	ACUITE A- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Reaffirmed
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A2+ Reaffirmed
A U Small Finance Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A2+ Reaffirmed
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A- Stable 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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