



Press Release
PHPC Associates
November 08, 2024
Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE B Stable Assigned	-
Bank Loan Ratings	31.00	ACUITE B Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	33.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating at “**ACUITE B**” (read as **ACUITE Bf**) from “**ACUITE B+**” (read as **ACUITE B plus**) on the Rs.31.00 Cr. bank facilities of PHPC Associates (PA). The outlook is “**Stable**”. Further, Acuite has assigned long-term rating at “**ACUITE B**” (read as **ACUITE Bf**) on the Rs.2.00 Cr. bank facilities of PHPC Associates (PA). The outlook is “**Stable**”.

Rationale for rating downgrade

The rating takes into account the decline in revenue of the firm which stood at Rs.409.58 Cr. in FY2024 as against Rs.486.72 Cr. in FY2023 and PAT margin at 0.15 percent in FY2024 as against 0.23 percent in FY2023. Further, the financial risk profile of the firm is average marked by high gearing which stood at 4.62 times as on 31st March, 2024 as against 3.19 times as on March 31, 2023. In addition, the liquidity position of the firm is poor marked by average utilization for last six months ended September 2024 at 100.44 %. The rating also factors in the geographically concentrated revenue profile as well as highly competitive and fragmented trading industry. However, the rating draws comfort from the extensive experience of the proprietor in trading and distribution of bitumen and efficient working capital management of the firm marked by GCA days of 39 days in FY2024.

About the Company

Established in the year 2004 as a proprietorship concern by Mr. Umesh Hegde, Mangalore, Karnataka based PHPC Associates (PA) is engaged in the trading of bitumen, emulsion and furnace oil. The products are used mostly in construction of roads, bridges, fly overs, airport runways, tunnels and dams. The firm purchases emulsion, furnace oil from local suppliers and sells bitumen to the road contractors across South India.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profiles of PHPC Associates to arrive at this rating.

Key Rating Drivers

Strengths

Experienced proprietor

The proprietor, Mr, Umesh Hegde, has more than 25 years of experience in bitumen trading and transportation through his association with the Hegde Group. The Hegde Group includes Hegde Bulk Carriers and PHPC Associates. Hegde Group is a leading group for bitumen logistics and bitumen trading in southern India. The proprietor is also the founder president of All India Bulk Bitumen Transporters Association. Acuite believes that

the extensive experience of the proprietor in bitumen trading shall support the business risk profile to an extent, resulting in steady growth in the scale of operations.

Efficient working capital management

The efficient working capital management of the firm is marked by GCA days of 39 days in FY2024. The firm has substantial dependence on its suppliers and creditors to support the working capital. The debtor days of the firm stood at 25 days as on 31st March 2024 as against 16 days as on 31st March 2023 and the creditor days stood at

15 days as on March 31, 2024 as against 16 days as on March 31, 2023. Further, the inventory holding stood at 5 days as on 31st March 2024 as against 4 days as on 31st March 2023. Acuité expects that the working capital management of the firm will remain almost at the similar levels over the medium term.

Weaknesses

Geographical concentration risk

The firm remains exposed to geographical concentration risk as southern India accounts for the 100% of the total revenues. Acuité believes that diversification of the customer base will remain a key rating sensitivity. Any changes in the trade policy, political unrest or natural calamities can impact the operations of the firm.

Decline in Revenue and Profitability

The revenue of the firm stood at Rs.409.58 Cr. in FY2024 as against Rs.486.72 Cr. in FY2023. The EBITDA Margin stood at (0.19)% percent in FY2024 as against (0.25)% percent in FY2023. The PAT Margin stood at 0.15 percent in FY2024 as against 0.23 percent in FY2023. The decrease is on an account of construction of roads, bridges, fly overs and others being on a slow pace due to state and central elections held in South India where the firm sells bitumen to the road contractors. The firm has achieved Rs.86.00 Cr. as on 30th September, 2024 which is lower in comparison to the previous years on an account of delays in release of funds from the Government to the contractors due to elections being held. In addition, there has been low demand of bitumen as the construction work are on hold due to heavy rains since April, 2024. The firm expects the business to improve in the second half of the financial year. Acuité notes that the business risk profile of the firm will be key monitorable in near to medium term.

Average financial risk profile

The average financial risk profile of the firm is marked by modest net worth, high gearing and moderate debt protection metrics. The tangible net worth of the firm stood at Rs.13.35 Cr. as on March 31, 2024 as against Rs.13.02 Cr. as on March 31, 2023 due to small retention of profits in the partner's capital account. The total debt of the firm stood at Rs.61.71 Cr. in FY2024 as against Rs.41.52 Cr. in FY2023. Gearing of the firm stood high at 4.62 times as on 31st March, 2024 as against 3.19 times as on March 31, 2023. The moderate debt protection metrics is reflected by Interest Coverage Ratio at 6.58 times as on March 31, 2024 as against 9.19 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.92 times as on March 31, 2024 as against 4.82 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.03 times as on 31st March 2024 as against 0.05 times as on March 31, 2023. Acuite expects that the financial risk profile of the firm will remain at similar levels in near to medium term.

Rating Sensitivities

- Movement in revenues and profitability margins.
- Movement in capital structure and debt protection metrics.
- Working capital cycle.

Liquidity Position

Poor

The firm's liquidity position is poor marked by over utilization of overdraft facility in almost every consecutive month, with average utilization for last six months ended September 2024 being ~100.44 per cent. The firm has net cash accruals of Rs.2.11 Cr. as on March 31, 2024 as against debt obligations of Rs.3.21 Cr. in the same period. Going forward, the firm is expected to generate net cash accruals in the same range as against debt obligations of up to Rs.4.29 Cr. in the same period. The gap in the repayment of debt obligations will be met by infusion of unsecured loans from directors/ promoters in the firm as was done during last year. Further, the current ratio stood at 1.00 times as on March 31, 2024. The firm has a cash and bank balance of Rs.1.18 Cr. as on March 31, 2024. Acuite believes that the firm's liquidity would continue to remain poor due to low net cash accruals, current ratio and excess reliance on bank lines to fund working capital requirements.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	409.58	486.72
PAT	Rs. Cr.	0.60	1.12
PAT Margin	(%)	0.15	0.23
Total Debt/Tangible Net Worth	Times	4.62	3.19
PBDIT/Interest	Times	6.58	9.19

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
11 Aug 2023	Term Loan	Long Term	13.55	ACUITE B+ Stable (Assigned)
	Secured Overdraft	Long Term	17.45	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.77	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.35	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.10	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2025	0.97	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	4.27	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2026	0.71	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2030	4.23	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	04 Apr 2032	2.60	Simple	ACUITE B Stable Downgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2030	2.00	Simple	ACUITE B Stable Assigned

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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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