



Press Release
PRA TIK ART INTERIORS PRIV ATE LIMITED
August 20, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	3.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.25.00 Cr. bank facilities of Pratik Art Interiors Private limited (PAIPL). The Outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account promoters extensive experience in interior designing industry, marquee client base, healthy order book indicating adequate revenue visibility. However, rating is constrained by average financial risk profile, moderately intensive working capital management and susceptibility of profitability due to infrastructure sector growth.

About the Company

Pratik Art Interiors Private Limited (PAIPL) was incorporated in Dec 1999 and the registered office is based in Frazer Town, Bangalore. The company is engaged in the business of undertaking tender-based contracts from various corporate clients for interior designing works. PAIPL was founded by Mr. Arvind B. Sondagar and Mr. Rajesh B. Sondagar.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of PAIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters and established track record of Operations

Pratik Art Interiors Private limited (PAIPL) is incorporated by Mr.Arvind B. Sondagar and Mr. Rajesh B. Sondagar. Promoters of the company has more than three decades of experience in execution of interior designing contracts. The extensive experience of the promoters has helped the company to maintain long-term relationship with its clients for repeat orders and attain the new clients. PAIPL mostly caters to grade A office spaces in Bangalore, Hyderabad, Pune, Chennai and Gurgaon.

Acuite believes that PAIPL may continue to benefit from its established track record of

operations.

Healthy order book providing adequate revenue visibility

The unexecuted order book of the company stood at Rs.42.22 Cr. as on August'2024, which is expected to be executed by December' 2024, providing adequate revenue visibility. Company has already registered the revenue of Rs.24.08 Cr. until July'2024 and expected to register revenue around Rs.75 Cr. to Rs.80 Cr. in FY25. PAIPL clientele includes marquee clients such as Cushmen & Wakefield India P Ltd, Mphasis Ltd and Sattva Developers Pvt Ltd among others.

Weaknesses

Moderate financial risk profile

PAIPL's financial risk profile is moderate marked by moderate net worth and gearing ratio. The tangible net worth of the company stood at Rs.7.73 Cr. as on March 2024 (Prov) as against Rs.6.96 Cr. as on March'2023. The debt-equity ratio stood at 0.61 times as on March 31st 2024 (Prov) as against 0.73 times as on March 31st 2023. The TOL/TNW (Total outside liabilities/Total net worth) has slightly improved and stood at 1.20 times as on 31 March, 2024 (Prov) as against 1.53 times as on March 31st 2023. The NCA/TD (Net cash accruals to total debt) stood at 0.20 times in FY2024 as against 0.16 times in FY2023. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.45 times and 2.13 times respectively in FY2024(Prov) as against 2.30 and 2.02 times respectively in the FY2023.

Acuite believes the financial risk profile of the PAIPL will continue to remain moderate over the medium term.

Moderately intensive working capital management

The working capital operations of the company moderately intensive with GCA days of 125 days in FY2024 (Prov) as against 112 days in FY2023 and 332 days in FY2022. GCA days are dominated by inventory days and debtor days. The debtor days stood at 52 days for FY2024 (prov) as against 46 days FY2023. Inventory days stood at 59 days in FY2024 (Prov) and FY2023. To support the working capital, the company stretched its creditors days to 44 days in FY2024 (prov) as against 62 days in FY2023. Furthermore, the average working capital limit utilisation remains moderate at ~40 percent over the past 6 months ending June 2024.

Acuite believes that the working capital operations of the company will remain at similar levels over the medium term.

Susceptibility of profitability due to infrastructure sector growth and inherent risk of tender based business

Company's order book is susceptible to economic growth and steady demand from the commercial real estate. Although the company has revenue visibility from the healthy order book position it is majorly exposed to economic downturns and cut back of discretionary expenditure from corporates. Further, operating margin is susceptible to revenue and tenders being executed. Tender based operation limits price flexibility in an intense competitive industry hence placing pressure on profitability.

Rating Sensitivities

Positive

- Growth in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Efficient working capital management.

Negative

- Significantly lower than expected performance resulting in deterioration of financial risk profile
- Further elongation in working capital cycle

Liquidity Position: Adequate

PAIPL's liquidity is adequately marked by comfortable cash accrual against debt repayment obligations. The company has generated the net cash accruals of Rs.0.91 Cr. in FY24(Prov) as against repayment obligation of Rs.0.32 Cr. during the same period. The current ratio of the company stood at 1.87 times and cash and bank balance stood at Rs.0.06 Cr. as on March 31st 2024 (Prov). Company's GCA days are around 125 days this makes company moderately dependent on bank borrowing for working capital requirements. Average bank limit utilization stood at 40 percent over last 6 months ending June 2024.

Outlook: Stable

Acuité believes that PAIPL will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to negative in case of lower than expected performance, moderation in liquidity profile and its profitability margins, and deterioration in debt protection indicators.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	47.11	49.26
PAT	Rs. Cr.	0.77	0.68
PAT Margin	(%)	1.64	1.37
Total Debt/Tangible Net Worth	Times	0.61	0.73
PBDIT/Interest	Times	2.45	2.30

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

None

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in
Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 rakesh.reddy@acuite.in	

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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