



Press Release
P C PATEL INFRA PRIVATE LIMITED
October 29, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	198.59	ACUITE A Stable Assigned	-
Bank Loan Ratings	236.41	-	ACUITE A1 Assigned
Total Outstanding Quantum (Rs. Cr)	435.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of ‘**ACUITÉ A**’ (read as **ACUITE A**) and short-term rating of ‘**ACUITÉ A1**’ (read as **ACUITE A one**) on the Rs. 435.00 Cr. bank facilities of P C Patel Infra Private Limited (PCPIPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating assigned reflects PCPIPL’s established track record of operations and extensive experience of its management in the mining industry. The rating considers the company’s expanding scale of operations, with operating income growing by 37.61% CAGR over the past 3 years ending FY2024. The operating income increased to Rs. 1441.63 Cr. in FY 2024, compared to Rs. 1201.96 Cr. in FY 2023 and Rs. 709.18 Cr. in FY 2022. Additionally, the company maintains a healthy order book position as of August 2024, with unexecuted orders worth approximately Rs. 4868 Cr. and being the L1 bidder for four projects valued at Rs. 17041.04 Cr. Further, the rating reflects its healthy financial risk profile marked by healthy net worth of Rs.626.70 Cr. and low gearing level of 0.89 times as of March 31, 2024. The rating, however, remains constrained by susceptibility to risks related to tender based nature of operations, risks related to regulations in the mining industry and the capital-intensive nature of the business.

About the Company

Gujrat based, P C Patel Infra Private Limited (PCPIPL), originally established as P C Patel and Company in 1994 by Mr. Prabhulal M. Dholu and Mr. Chhaganlal M. Dholu, began as a partnership firm. In 2016, it was incorporated as a private limited company. PCPIPL primarily provides services for overburden (OB) removal and mining work awarded through tenders. The company functions as a mine developer and operator (MDO) and a contract miner for various public sector entities, including Gujarat Mineral Development Corporation Ltd (GMDC), Northern Coalfields Ltd, NTPC Ltd., Singareni Collieries Company Ltd., and Gujarat Industries Power Company Ltd., as well as private sector entities such as Jindal Steel & Power Ltd. and South West Mining Ltd. (a JSW Group entity). PCPIPL’s operations extend across multiple regions in India, supported by a substantial fleet of heavy earth-moving machinery, which includes 54 dozers, 171 excavators, 28 graders, 21 wheel loaders, surface miners, 580 tippers, and 186 miscellaneous heavy and light motor vehicles.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered standalone business and financial risk profiles of P C Patel Infra Private Limited (PCPIPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and healthy order book-

P.C. Patel Infra Private Limited (PCPIPL) is managed by Chhaganlal Mulji Dholu, Prabhulal Murji Dholu, Bhavesh Prabhulal Dholu, and Nikul Prabhulal Dholu, along with a team of experienced personnel. The directors bring over

three decades of experience in the mining industry. The company has successfully completed numerous projects for reputable public sector undertakings (PSUs) such as Gujarat Mineral Development Corporation Ltd (GMDC), Northern Coalfields Ltd, and Singareni Collieries Company Ltd., as well as private sector entities like South west Mining Ltd. The strong credit profiles of these customers mitigate counterparty credit risks by ensuring timely payment realization.

Acuité believes that the long track record and extensive experience of the directors foster strong relationships with key customers and suppliers. PCPIPL maintains a healthy order book with unexecuted orders worth approximately Rs. 4868 Cr., to be executed over the next 1-7 years, providing revenue visibility in the medium term. Additionally, the company is the L1 bidder for four projects valued at Rs. 17041.04 Cr., positioning it well for future growth. The company achieved a revenue of Rs. 1441.63 Cr. in FY 2024, up from Rs. 1201.96 Cr. in FY 2023. Furthermore, PCPIPL recorded revenue of Rs. 437.15 Cr. till July 2024 in the current financial year.

Acuité believes that PCPIPL will continue to benefit from its established track record of operations and a healthy order book position.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by strong net worth, low gearing, and comfortable debt protection metrics. The net worth of the company stood at Rs.626.70 Cr. in FY 2024 as compared to Rs 463.01 Cr. in FY2023. The increase in net-worth is majorly due to the accretion of profits to the reserves. The gearing of the company stood at 0.89 times in FY2024 as compared to 1.00 times in FY2023. The gearing is expected to remain at similar levels over the medium term on account of absence of any major debt funded capex plans. The TOL/TNW of the company stood at 1.00 times in FY2024 as against 1.15 times in FY2023. Further, debt protection metrics stood comfortable with Interest coverage ratio (ICR) stood at 9.40 times as on 31st March 2024 as against 11.86 times as on 31st March 2023. The debt service coverage ratio (DSCR) of the company stood at 2.16 times as on 31st March 2024 as compared to 2.29 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.58 times as on 31st March 2024 as compared to 0.61 times in the previous year. Additionally, corporate guarantee of Rs. 73.58 Cr. has been given by PC Patel to P.C. Patel Mahalaxmi Infra LLP as of 31st March 2024.

Acuite believes the financial risk profile of the company will continue to remain healthy on account of expected steady net cash accruals and absence of any major debt-funded capex over the near term.

Moderate Working Capital Management

The working capital operations of the company are moderate in nature marked by GCA days of 109 days in FY2024 against 115 days in FY2023. The debtors' collection period stood at 48 days in FY2024 as against 53 days in FY2023. The average collection period is around 45-60 days. The inventory days for the company stood at 12 days in FY2024 as against 10 days in FY2023. Also, the creditors days stood at 24 days in FY2024 as against 33 days in the previous year. Further, the company has a sizeable other current asset, mainly comprising of loans to associate.

Furthermore, the reliance on working capital limits remained moderate with utilization of working capital limits at around 68% over the last six months ending August 2024 for non-fund-based limits, with an unutilized line of fund-based limits

Acuite believes that the working capital operations of the company will continue to remain in similar range due the nature of its business.

Weaknesses

Susceptibility to risks related to tender based nature of operations

The company's revenue and profitability are susceptible to risks inherent in the contract based operations. Besides, tender based operations limits pricing flexibility in an intensely competitive industry. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which thereby limits the scope of significant improvements in the profitability levels.

Susceptibility to risks related to regulations in the mining industry

Operational and regulatory risks in the mining industry have increased significantly in recent years. Regulatory actions have largely been to clamp down on illegal mining and have included withholding of permits and ban on export and mining. PCPIL faces execution challenges due to regulatory hurdles, potential laws and order issues in mining areas, and changes in government policies, all of which can impact revenue. However, PCPIPL's contracts with public sector undertakings (PSUs) help mitigate this risk to some extent.

Capital Intensive Business

The company, in order to support the growth in scale of operations, regularly incurs debt funded capex towards acquisition of heavy earth moving machineries and related mining equipments. Further, the company has a healthy outstanding order book position and sizeable L1 orders, to support the execution, it is expected to continue to incur debt funded capex in the medium term.

Rating Sensitivities

Improvement in scale of operation while maintaining the profitability margins.

Timely execution of orders.

Sustenance of healthy financial risk profile.

Any significant deterioration in revenues and profitability leading to moderation in financial risk profile.

Liquidity Position

Strong

The company maintains a strong liquidity position, marked by sufficient net cash accruals to meet its maturing debt obligations. In FY 2024, it generated net cash accruals of Rs. 321.34 Cr., comfortably covering its maturing debt obligations of Rs. 124.75 Cr. for the same period. Further, the company is expected to generate cash accruals in the range of Rs. 352.03 – Rs. 422.68 Cr., against maturing repayment obligations of approximately Rs. 148.87 – Rs. 167.82 Cr. over the medium term. The company's working capital management is moderate, with GCA days of 109 days in FY 2024, compared to 115 days in FY 2023 along with moderate reliance on working capital limits. The current ratio improved to 2.60 times as of March 31, 2024, from 1.96 times as of March 31, 2023. Additionally, the company reported a cash and bank balance of Rs. 31.39 Cr. in FY 2024 and holds free fixed deposits amounting to Rs. 177.64 Cr. as of March 31, 2024.

Acuité believes that the company's liquidity position will remain strong over the medium term, supported by expected steady cash accruals and the buffer available from moderately utilized working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1441.63	1201.96
PAT	Rs. Cr.	163.69	156.89
PAT Margin	(%)	11.35	13.05
Total Debt/Tangible Net Worth	Times	0.89	1.00
PBDIT/Interest	Times	9.40	11.86

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

Brickwork, vide its press release dated October 10th, 2024 had moved the rating to Not Reviewed Advisory from BWR BB/Stable/A4 (Continues to be in ISSUER NOT COOPERATING) rating of P C Patel Infra Private Limited.

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, 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	215.00	Simple	ACUITE A1 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.41	Simple	ACUITE A1 Assigned
Bank of Baroda	Not avl. / Not appl.	Term Loan	10 Sep 2022	Not avl. / Not appl.	06 Jul 2029	142.31	Simple	ACUITE A Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	31 Mar 2023	Not avl. / Not appl.	30 Nov 2028	41.28	Simple	ACUITE A Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Amay Gupta Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@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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