Press Release

PRIYA ENGINEERING PROJECTS PRIVATE LIMITED
November 19, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB+ | Stable | Assigned	-
Bank Loan Ratings	135.00	-	ACUITE A2 | Assigned
Total Outstanding Quantum (Rs. Cr)	155.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long term rating of '**ACUITE BBB+' (read as ACUITE triple B plus**a)nd short term rating of '**ACUITE A2' (read as ACUITE A two)**to the Rs.155 Cr. bank facilities of Priya Engineering Projects Private Limited (PEPPL). The Outlook is '**Stable**'.

Rationale for rating assigned
The rating assigned considers the company's established track record in civil construction business since 1965 and strong growth in revenue in the previous three years with a CARG of 53 percent. The rating also factors in the healthy order book of Rs. 1323.01 crore as of September 2024, which is almost 4 times of FY24 revenue, providing adequate revenue visibility. In addition, the company's profitability also showed steady growth with an improvement in operating profits margin from 8.7 percent in FY22 to 10.01 percent in FY24, backed by a profitable mix of orders from both public and private clientele. Further, rating also factors in a healthy financial risk profile with a low leverage ratio, comfortable debt protection metrics, and low debt/EBITDA. However, rating is partially constrained by the susceptibility of profitability margins to volatility in raw material prices and the tender-based nature of operations.

About the Company

The entity was incorporated in the year 1965 by Mr. S. Periyasamy as a proprietorship firm which was later converted into partnership firm in the year 2002 and named as Priya Construction, taken over by Mr. P. Sivakumar, who has an experience of 36 years in the Construction Industry. Later in 2019, Priya Construction was converted into Private Limited Company named as Priya Engineering Projects Private Limited. The current directors of the company are Mr. Jeyanthi Sivakumar, Mr. Periyasamy Selambagoundar, Mr. Periyasamy Deivanai and Mr. Periyasamy Sivakumar.

Unsupported Rating
Not applicable

Analytical Approach

Acuite considers standalone business and financial risk profile of PEPPL for arriving at the rating.

Key Rating Drivers

Strengths

Experienced promotors and established track record of operations
Priya Engineering Projects Private Limited (PEPPL) is currently managed by second-generation promotor Mr.

Shiva Kumar. PEPPL's management has more than three decades of experience in the civil construction industry. PEPPL is engaged in the execution of civil contracting works for private and government clients. The company has adequate experience in the execution of various infrastructure projects, including power generation, dairy plants, agroprocessing plants, sugar plants, and housing projects. PEPPL's management is supported by a team of professionals with adequate experience in executing civil contract works. The extensive experience of promoters has helped the company establish long-term relationships with its customers and suppliers.
Acuite believes that PEPPL will continue to benefit from its experienced promotors and its long track record of operations over the medium term.

Strong growth in revenue and stable improvement in profitability

PEPPL's revenue has grown significantly in the past three years, with a CAGR of 53 percent. The company has registered the revenue of Rs.333.26 Cr. in FY2024 as against Rs.161.91 Cr. in FY2023 and Rs.92.75 Cr. in FY2022. Lower revenue in FY2022 in the COVID-19 pandemic and continuous interruptions in work executions. However, revenue has grown significantly after the offset of the pandemic in FY23 and FY24. PEPPL clientele includes BHEL, Tamil Nadu PWD, Milky Mist dairy food private limited, and Tamil Nadu newsprint and papers limited, among others. Operating profits improved in the steady phase and stood at 10.01 percent in FY24 as against 9.25 percent in FY23 and 8.70 percent in FY22. Stable improvement in profitability is attributable to recurring contracts from existing clientele and selective bidding for high-margin projects for the acquisition of new clients. In addition, PEPPL has strong revenue visibility with outstanding orders worth Rs. 1323 crore as of September 2024, which is nearly 4x times FY24 revenue.
Acuite believes that the scale of operations of the company may continue to improve going forward, backed by a healthy order book.

Healthy financial risk profile

The financial risk profile of the company is healthy, marked by a moderate net worth, a low leverage ratio, and healthy debt protection metrics. The company's net worth improved to Rs. 52.28 crore as of March 31st, 2024, as against Rs. 33.16 crore as of March 31st, 2023, and Rs. 25.74 crore as of March 31st, 2022. Improvement in net worth is attributable to accretion of profits to reserves. The total debt of Rs. 41.86 Cr. as of March 31st, 2024, consists of long-term debt of Rs. 8.92 Cr. and short-term working capital debt of Rs. 27.25 Cr. The gearing of the company remained moderate at 0.80 times as on March 31st 2024, as against 0.68 times as on March 31st 2023 and 0.24 times as on March 31st 2022. The total outside liabilities to tangible net worth stood at 2.17 times as on March 31st 2024, as against 1.23 times as on March 31st 2023 and Rs. 0.70 times as on March 31st 2021. Further, debt protection metrics stood healthy with interest coverage ratio and debt service coverage ratios at 5.74 times and 11.43 times, respectively, as on March 31st, 2024, as against 5.46 times and 6.55 times, respectively, as on March 31st, 2023, and 4.64 and 5.35 times as on March 31st, 2022.
Acuite believes that the financial risk profile of the company is likely to remain healthy over the medium term in the absence of any major debt-funded capex.

Moderate working capital management

The working capital operations of the company are moderate, as reflected by its gross current asset (GCA) days of 132 days in FY2024 as against 118 days in FY23 and 102 days in FY22. GCA days are majorly dominated by debtor days of 62 days in FY24 as against 39 days in FY23 and 12 days in FY22. The inventory days of the company stood at 25 days in FY24 as against 22 days in FY23 and 18 days in FY22. In order to support the working capital requirement, the company has stretched its creditor days to 115 days in FY24 as against 61 days in FY23 and 65 days in FY22. Further, the average working capital utilization stood high at 77 percent in the past 12 months ending September 2024.
Acuite believes that working capital operations of the company may continue to remain moderately intensive over the near to medium term due to the realization cycle and nature of operations of the company.

Weaknesses

Volatility in raw material prices and tender based nature of operations impacting profitability

Most EPC projects undertaken by the company have a gestation period of 12–24 months, and during this time period, profitability remains susceptible to fluctuations in the input prices. PEPPL operates in power generation, dairy plants, agroprocessing plants, sugar plants, and housing projects segments, which are highly competitive with the presence of a large number of small, regional, and large players. EPC projects executed by the company are tender-based, with wins going to the lowest bidder qualifying the terms and conditions stipulated by the respective agencies floating the bids. This puts strain on the profitability of the company where the bidding can get aggressive.

Rating Sensitivities

- Any elongation in working capital cycle leading to stretch in liquidity.
- Any geopolitical disturbances impacting the ongoing projects or order book of the company.

- Further improvement in revenue and profitability.

Liquidity Position: Adequate

PEPPL's liquidity is adequate, marked by comfortable cash accruals to its debt obligations. It reported cash accruals of Rs. 24.28 Cr. in FY2024 as against Rs. 10.39 Cr. in FY23; its accruals are expected in the range of Rs 39 to 51 Cr. in FY2025-26 against its repayment obligations of Rs. 5-6 Cr. during the same period. The current ratio of the company stands at 1.24 times, and cash and bank balances stood at Rs. 5.94 crore as of March 31, 2024. Average bank limit utilization stood at 77 percent over the last 12 months ending September 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual and no major debt capex plans over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	333.36	161.91
PAT	Rs. Cr.	19.28	7.63
PAT Margin	(%)	5.78	4.71
Total Debt/Tangible Net Worth	Times	0.80	0.68
PBDIT/Interest	Times	11.43	6.55

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
- 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. 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	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A2 | Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A2 | Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+ | Stable | Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB+ | Stable | Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2 | 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.