



Press Release

PMR Construction Company

September 18, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
2.	Long Term Bank Facilities	5.00	IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
3.	Short Term Bank Facilities	15.00	IVR A4+ (IVR A Four Plus)	Assigned
	Total	20.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of PMR Construction Company draws comfort from its experienced promoters and top Management, Reputed Clients and Growing scale of operations with Healthy Profitability. However, these rating strengths are partially offset by its Tender-based nature of operations, intense competition in the industry and Moderate Working Capital Intensive Nature of Operation. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics



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Downward factor:

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis
- Moderation in Capital Structure
- Elongation in the operating cycle impacting the liquidity profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Top Management

The company was founded by Mr. Alavi Haji, who has an extensive experience of 40 years in the business. The top management of the company is highly experienced with more than 125 years of collective experience which has enabled the company to build good relations with suppliers and even the clients.

Reputed clientele

PMR Construction bids for tenders floated by various government departments/entities and caters to private players. Over the years of its operations, the company has established a strong business relationship with various government departments as well as private clients. PMR has worked on various civil projects for government entities like, National Highway Authority, PWD etc.

Strong order book position reflecting satisfactory medium-term revenue visibility

PMR Construction has a strong unexecuted order book of ~Rs. 67 crore as on August 24, 2020, which is about 1.63x of the total operating income reported in FY20 (provisional). The orders are expected to be completed by the mid of FY22, indicating a satisfactory near to medium term revenue visibility.



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Growing scale of operations with Healthy Profitability

Over the past few year (FY17-FY19), total operating income has increase by a CAGR of ~29% with YOY growth of ~38% in FY20. Along with the increase in the total operating income, the company has maintained a healthy profitability with comfortable EBITDA and PAT margin. In FY20 the EBITDA and PAT margin stood comfortable at 10.05% and 3.03%. Moreover, the cash accruals of the company steadily increased from Rs.1.64 crore in FY19 to Rs. 2.02 crore in FY20.

Key Rating Weaknesses

Tender-based nature of operations with intense competition in the industry

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Further, PMR Construction receives most its work orders from government departments through tenders floated by the departments and based on its ability to secure these tenders amidst intense price war. Profit margin of the company may come under pressure because of this competitive nature of the industry. However, the promoters' long industry presence imparts comfort.

Moderate Working Capital Intensive Nature of Operation

Construction business, by its nature, is working capital intensive as a large amount of working capital remains blocked in earnest money deposits and retention money. The operating cycle remains elongated at 131 days due to high collection and inventory period. The average collection period stood high at 131 days in FY20 driven by high debtor outstanding of Rs. 21.54 crore as on March 31, 2020. However, despite high collection period, comfort can be derived from the fact that the dues are from various government departments.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

PMR Construction had a GCA of Rs. 2.02 crore in FY20 as against its repayment obligation of Rs. 1.80 crore and bank limits remained utilized to the extent of ~51% during the past 12 months ended July 2020 indicating an adequate liquidity buffer. The company has a Current Ratio of 1.47x as of March 31, 2020. The free cash & cash equivalent was Rs. 0.11 Crore as on March 31, 2020. Liquidity is expected to remain Adequate.

About the Company

PMR group is a full-service construction company founded in 1970 providing infrastructure solutions for public and private clients primarily in Kerala. Within the public sector, they primarily concentrate on heavy-civil infrastructure projects including the constructions of streets, roads, highways mass transit facilities, airport infrastructures, bridges, trenchless and underground utilities, power related facilities, water related facilities, utilities, tunnels, dams and other infrastructure related projects. Within the private sector, they perform site preparation and infrastructure services for residential development, commercial and industrial sites, and other facilities, as well as provide construction management professional services.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	30.14	41.33
EBITDA	3.61	4.15
PAT	1.04	1.25
Total Debt	11.84	16.00
Tangible Net worth	9.76	10.88
EBITDA Margin (%)	12.04	10.05
PAT Margin (%)	3.45	3.03
Overall Gearing Ratio (x)	1.04	1.09

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Overdraft	Long Term	5.00	IVR BB+ /Stable	-	-	-
2.	Bank Guarantee	Short Term	15.00	IVR A4+			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Facilities – Overdraft	-	-	-	5.00	IVR BB+/Stable
Short Term Bank Facilities–Bank Guarantee	-	-	-	15.00	IVR A4+