

PLR Projects Private Limited

Instrument	Amount In Rs Crore	Rating Action As on July 2016
Long term fund based limits	75.00 (enhanced from 55.00)	Upgraded to [ICRA]BBB- (Stable) from [ICRA]BB+ (Stable)
Short term non-fund based limits	300.00 crore (enhanced from 240.00)	Upgraded to [ICRA]A3 from [ICRA]A4+

ICRA has upgraded the long term rating for Rs.75 crore (enhanced from Rs.55 crore earlier) fund based limits of PLR Projects Private Limited (PLR) to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BB+ (pronounced ICRA double B plus). ICRA has also revised the short term rating for Rs.300 crore (enhanced from Rs.240 crore earlier) non-fund based limits of PLR Projects Private Limited (PLR)[†] [ICRA] to A3 (pronounced ICRA A Three) from [ICRA]A4+ (pronounced ICRA A Four plus). The outlook on the long-term rating is Stable.

The revision in ratings take into account improved order book position of PLR with addition of Rs.2,700 crore worth projects during FY2016 resulting in outstanding order book of Rs.2,895 crore as on March 31, 2016 (6.4 times the operating income of FY2016) which provides medium term revenue visibility. Further, the ratings derive support from the improved liquidity position as reflected by moderate utilization of working capital limits. While the reduction in debtor days (including retention monies) is on account of release of retention monies against BGs; the increase in work in progress during FY2016 has been largely funded by the creditors owing to back to back nature of arrangement with sub-contractors. Despite, increase in creditors, TOL/TNW has improved from 2.12 times as on March 31, 2015 to 1.87 times as on March 31, 2016 due to healthy accretion to reserves. The ratings also take into account improved segment diversification with entry into drinking water pipeline segment during FY2016 with major segments being mine overburden (OB) removal (accounts for 40% of the outstanding order book), irrigation (30%) and drinking water pipeline segment (29%). The ratings are also aided by established track record of operations of over three decades supported by the experienced management with demonstrated capabilities across segments –OB removal, irrigation and continued healthy progress in Pranahita Chevella project (revenues of Rs.156 crore in FY2016 against revenues of Rs.94 crore in FY2015) and OB removal projects in Balkudra and Piparwar (together contributing to revenues of Rs.132 crore in FY2016 against Rs.64 crore in FY2015)

The ratings however remain constrained due to high project concentration risk, with top five projects accounting for 76% of the unexecuted order book. The ratings are also further constrained by execution risks for newly awarded projects which account for around 93% of current order book. However, ICRA notes that the requisite approvals are in place for large proportion of the aforementioned early stage orders. The ability of the company to secure timely enhancement in working capital limits would be important to support the growth in turnover especially given that new orders in drinking water pipeline segment do not have provision for mobilization advances. PLR remains exposed to geographical concentration risks with 53% of its outstanding orders located in the state of Telangana. ICRA notes that PLR has extended corporate guarantee to the borrowings of its wholly owned subsidiary –PLR Projects Zambia Limited. No funding support is envisaged as the subsidiary has undrawn portion of 1.1 Million USD out of the 7.7 Million USD sanctioned by Exim Bank to meet its debt obligations.

Going forward, the ability of the company to secure timely enhancement of its working capital limits and faster ramp up of execution across its large and new orders, especially the drinking water pipeline segment orders will be important to achieve growth in its revenues and profits. Also, PLR has extended significant support to its subsidiary-PLR Projects Zambia Limited and any incremental support going forward could affect PLR's cash flows.

* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



Company Profile

PLR Projects Private Limited (PLR) is a construction company, based in Tirupathi of Andhra Pradesh, promoted by Late Mr. Lakshmu Reddy in the year 1980. The company operates in mainly four sectors viz. OB removal, irrigation, roads and railways. PLR has entered into drinking water pipeline segment during FY16 with two sub-contracts received from NCC Limited and Koya & Company Construction Limited.

Recent results

As per unaudited financials for FY2016, PLR reported operating income of Rs. 455.16 crore and PAT of Rs. 18.40 crore as against operating income of Rs.451.31 crore and PAT of Rs.18.03 crore during FY2015.

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