

PMJ Constructions Pvt. Ltd.

Instruments	Rating Limits (Rs. Crore)	Rating Action October 2016
Cash credit	1.50	[ICRA]B (assigned)
Unallocated	15.0	[ICRA]B (assigned)
Bank Guarantee	7.0	[ICRA]A4 (assigned)

ICRA has assigned a long term rating of '**[ICRA]B**' (pronounced ICRA B)[†] to the Rs 1.50 crore fund based cash credit facility and the Rs. 15.0 crore of unallocated limit of PMJ Constructions Pvt. Ltd. (PMJ). ICRA has also assigned a short term rating of '**[ICRA]A4**' (pronounced as ICRA A four) to the Rs. 7.0 crore non-fund based Bank Guarantee facility of PMJ.

The assigned ratings are constrained by modest scale of operations that limits financial and operational flexibility of the company to an extent; and the moderate financial profile of the company marked by weak gearing and moderate coverage indicators as on March 31, 2016, which are expected to deteriorate going forward owing to the sizable amount of envisaged debt funded capex to set up of the manufacturing facility for M-sand, however the equity infusion of Rs. 4.40 crore during H1 FY2017 provides some comfort. The ratings are also constrained by the fragmented nature of the industry coupled with a tender based contract awarding system followed by government departments which keeps the margins under check. The ratings take note of the customer base of the company which majorly consists of government entities in Karnataka, exposing the company to geographic and client concentration; however, the reputed client base mitigates the risk to an extent. The ratings are also constrained by the high working capital requirements, with dependency on bills approval and funds flow from government departments, resulting in high dependence on creditor funding and unsecured loans with a TOL/TNW of 11.48 times as on March 31, 2016. The ratings however positively consider the long standing experience of the promoters in the construction sector with expertise in executing civil construction projects and the pending order book profile which is ~3 times the FY 2015-16 operating income, providing healthy revenue visibility in the near to medium term.

Going forward, the ability of the company to further improve its scale of operations, while improving profitability to strengthen its order book position in the construction business, while efficiently managing its working capital requirements would remain the key rating sensitivities. The timely completion of M-sand project and realisation of adequate cash flows from the same would be critical for the debt servicing ability of the company for the proposed loan.

Company Profile

M/s. PMJ Constructions Pvt. Ltd., established in the year 2002, having office at Jayanagar, Bangalore. Promoted by M. Jagannath, PMJ is mainly engaged in the field of civil construction works and is a 'Class 1A PWD contractor'. The clientele of the company includes majorly includes government sector like Bangalore Development Authority (BDA), Bruhat Bengaluru Mahanagara Palike (BBMP), Bangalore University, Visvesvaraya Technological University to name a few.

Recent Results

During FY2016 the company reported a net profit before tax of Rs. 0.02 crore on an operating income of Rs. 8.69 crore as against a net loss before tax of Rs. 0.66 crore on an operating income of Rs. 3.21 crore during FY2015.

October 2016

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



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