

## Power Research and Development Consultants Private Limited

August 09, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based	6.00	6.00	[ICRA]B+ (Stable); Reaffirmed
Long-term – Non-fund based	3.50	3.50	[ICRA]B+ (Stable); Reaffirmed
<b>Total</b>	<b>9.50</b>	<b>9.50</b>	

\*Instrument details are provided in Annexure 1

### Rating action

ICRA has reaffirmed the long-term rating at [ICRA]B+ (pronounced ICRA B plus)<sup>1</sup> for the Rs. 6.00-crore<sup>2</sup> fund-based facility and the Rs. 3.50-crore non-fund based facility of Power Research and Development Consultants Private Limited (PRDC). The outlook on the long-term rating is Stable.

### Rationale

The rating reaffirmation remains constrained by the moderation in the company's capital structure and coverage indicators owing to sizeable increase in long-term borrowings availed towards redemption of debentures and partial redemption of preference shares from Small Industries and Development Bank of India (SIDBI). The rating continues to remain constrained by the company's working capital intensive nature of operations owing to high debtor levels, which has resulted in a stretched liquidity position, as characterised by high utilisation of its working capital facilities. The rating also factors in the moderate scale of operations, which restricts the company's operational and financial flexibility to some extent.

The rating, nevertheless, derives comfort from the extensive domain knowledge and proven operational track record of the company in power systems design and consulting and its renowned client base, which includes reputed players in the power sector. The rating favourably factors in the healthy revenue growth in FY2017 and FY2018, aided by bulk project orders received from the Eastern Regional Power Committee (ERPC) and the Southern Regional Power Committee (SRPC). The rating also considers the healthy revenue visibility in the near term, supported by sizeable orders-in-hand, coupled with expected orders from the Northern Regional Power Committee (NRPC) and the North Eastern Regional Power Committee (NERPC) for design and development of power system software.

<sup>1</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>2</sup>100 lakh = 1 crore = 10 million

## Outlook: Stable

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from the extensive experience of the promoters in the power systems consultancy domain and the proven operational track record of the company in the segment. The outlook may be revised to Positive, if the company achieves significant growth in revenues while maintaining the profitability and if the working capital cycle improves further. The outlook may be revised to Negative, if the company's working capital intensity increases beyond ICRA's expectations and results in a stretched liquidity position.

## Key rating drivers

### Credit strengths

**Extensive experience of the promoters** – PRDC's Managing Director, Mr. Nagaraja, has an extensive experience of over two decades in the power systems industry. The extensive industry knowledge of the promoters, coupled with the proven operational track record of PRDC has enabled the company in establishing strong relationship with key customers and suppliers.

**Healthy growth in revenues in the recent past** – PRDC's revenues grew at a healthy CAGR of 27.0% in FY2017 and FY2018, aided by the receipt of large-scale project orders from the Eastern Regional Power Committee and the Southern Regional Power Committee for supply of MiPower Protection Suite. The MiPower software was developed by PRDC to carry out simulation studies on relay setting calculations and design appropriate protection systems.

**Sizeable order-book position provides revenue visibility in the near term** – The company's order-book position stood at Rs. 29.4 crore as on March 31, 2018 and the same provides reasonable revenue visibility in the near term. Besides, the expected orders from NRPC and NERPC for supply of MiPower Protection Suite is likely to boost the revenue growth in the near to medium term.

### Credit challenges

**Moderation in capital structure and coverage indicators** – PRDC's capital structure and coverage indicators witnessed moderation in FY2018, owing to an increase in long-term borrowings availed towards redemption of debentures and partial redemption preference shares from SIDBI. PRDC redeemed 50% of preference shares from SIDBI in FY2018, along with a preference share premium of Rs. 1.2 crore and the same resulted in a decline in the company's net-worth position and negatively impacted the capital structure.

**High working capital intensive nature of operations** – PRDC's customer profile mainly comprises state utilities and other government clients, because of which the receivables cycle remains stretched and leads to high working capital intensive nature of operations. Nevertheless, aided by consistent efforts made the company, the debtor levels have reduced to some extent in the recent past.

**High sectoral concentration** – The large exposure of the company's revenues to the power systems domain leads to significant sectoral concentration risks.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

**About the company**

PRDC was established in 1994 and has been involved in power systems consultancy services. PRDC also develops software for power network design and analysis. PRDC also provides automation and power system solutions, wherein the company designs the embedded systems as per the customer requirements, while the manufacturing of the same is outsourced. PRDC is promoted by Dr. R Nagaraja, who is a PhD in Energy Management Systems from the Indian Institute of Science (IISc). The company carries out projects for the state electricity boards and utilities, independent power producers (IPPs) and companies in other industries such as cement, steel and sugar. It has also been recognised by Visvesvaraya Technological University (VTU) as an affiliated research centre, which allows PRDC to provide training to power engineers working in state/regional electricity boards, generation, transmission and distribution companies, among others.

**Key financial indicators**

	<b>FY2017</b>	<b>FY2018P</b>
Operating Income (Rs. crore)	29.4	33.0
PAT (Rs. crore)	0.8	0.9*
OPBDIT/ OI (%)	12.5%	15.0%
RoCE (%)	12.0%	15.9%
Total Debt/ TNW (times)	0.7	1.4
Total Debt/ OPBDIT (times)	2.7	3.3
Interest Coverage (times)	2.8	1.5

*OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Average (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital; TNW: Tangible Net Worth; PBIT: Profit Before Income Tax*

*P – Provisional; \*profit before tax*

**Status of non-cooperation with previous CRA: Not applicable**
**Any other information: None**

### Rating history for last three years:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2018 (Rs. crore)	Date & Rating in FY2019 August 2018	Date & Rating in FY2018 July 2017	Date & Rating in FY2017 October 2016	Date & Rating in FY2016 August 2015
Cash Credit	Long term	6.00		[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B+
Bank Guarantee	Long term	3.50		[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B+

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	6.00	[ICRA]B+ (Stable)
NA	Bank Guarantee	-	-	-	3.50	[ICRA]B+ (Stable)

Source: PRDC

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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