

Rating Advisory December 20, 2018 | Mumbai

Pratibha Industries Limited

Advisory as on December 20, 2018

This rating advisory is provided in relation to the rating of Pratibha Industries Limited

The key rating sensitivity factors for the rating include:

- Timely servicing of debt obligations
- Higher-than-expected debt contracted for meeting working capital requirement
- Lower-than-expected operating profitability

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Pratibha Industries Limited (PIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

PIL, set up by Mr Ajit Kulkarni in 1982, undertakes infrastructure development with a focus on water supply and environment engineering projects, and urban infrastructure projects. In the urban infrastructure segment, it builds and modernises airports and railway stations, and constructs roads, high-rise buildings, mass housing projects, and shopping malls. In the water supply segment, it lays water pipelines; constructs sewerage treatment plants, water reservoirs, and water storage systems; and undertakes tunnelling projects.

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Rating Rationale

October 30, 2017 | Mumbai

Pratibha Industries Limited

Ratings Reaffirmed

Rating Action

| | |
|---|------------------------------|
| Total Bank Loan Facilities Rated | Rs.111.57 Crore |
| Long Term Rating | CRISIL D (Reaffirmed) |
| Short Term Rating | CRISIL D (Reaffirmed) |

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL D/CRISIL D' ratings on the bank loan facilities of Pratibha Industries Ltd (PIL). The ratings continue to reflect delays by PIL in meeting its debt obligation on account of severe liquidity crunch due to stretched working capital cycle. The ratings are based on publicly available information and brief interaction with the company.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of PIL; its wholly owned subsidiaries Prime Infrapark Pvt Ltd, Muktangan Developers Pvt Ltd, Pratibha Holding (Singapore) Pte Ltd, and Pratibha Infra Lanka (Pvt) Ltd; and majority owned subsidiary Bhopal Sanchi Highways Pvt Ltd.

Key Rating Drivers & Detailed Description

* Delay in debt servicing

PIL has delayed obligation on its term loan, and there have been instances of invocation of bank guarantee and devolvement of letter of credit, due to severely stretched working capital cycle. The lenders have approved strategic debt restructuring (SDR) for the company. In consultation with the SDR committee, the company is in talks with various strategic investors. It is likely to clear the dues once a strategic investor is finalised and puts in the mutually agreed funds to revive the business and clear past overdues.

Weakness

* Weak financial risk profile

The financial risk profile remains weak due to large debt and weak debt protection metrics. The group has large working capital requirement, and faces risks associated with execution of infrastructure projects. CRISIL believes gearing will remain high on account of large term debt and sizeable working capital requirement. Successful implementation of the SDR scheme, and improvement in capital structure are key monitorables.

Strength

* Extensive experience of the promoters in the construction industry

The promoters have experience of more than two decades in urban infrastructure and specialised projects, including tunnelling, airports, car parks, high-rise buildings, flyovers, and bridges. The group has efficient project management skills, backed by a trained and skilled labour force, necessary equipment, and good sub-contracting management systems, in addition to onsite decision-making capabilities.

CRISIL believes increased government spending on infrastructure sector augurs well for the company in the near term. However, ability to improve operating efficiency and strengthen business risk profile will be a key rating sensitivity factor.

About the Company

PIL, set up by Mr Ajit Kulkarni in 1982, undertakes infrastructure development with a focus on water supply and environment engineering projects, and urban infrastructure projects. In the urban infrastructure segment, it builds and modernises airports and railway stations, and constructs roads, high-rise buildings, mass housing projects, and shopping malls. In the water supply segment, it lays water pipelines; constructs sewerage treatment plants, water reservoirs, and water storage systems; and undertakes tunnelling projects.

Key Financial Indicators

| Particulars | Unit | 2017 | 2016 |
|----------------------------------|----------|--------|------|
| Revenue | Rs crore | 1658 | 4355 |
| Profit after tax (PAT) | Rs crore | (839) | 30 |
| PAT margins | % | -49.7% | 0.7% |
| Adjusted debt/Adjusted networkth | Times | 56.24 | 5.79 |
| Interest coverage | Times | -0.39 | 1.32 |

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

| ISIN | Name of instrument | Date of allotment | Coupon rate % | Maturity date | Issue size (Rs crore) | Rating assigned with outlook |
|------|--------------------|-------------------|---------------|-----------------|-----------------------|------------------------------|
| NA | Short Term Loan | NA | NA | NA | 2.74 | CRISIL D |
| NA | Term Loan | NA | NA | Details Awaited | 108.83 | CRISIL D |

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2017 (History) | | 2016 | | 2015 | | 2014 | | Start of 2014 |
|--------------------------------|---------|---------|-----------------------|----------------|------------------|----------|-----------------------|----------|-----------------------------------|----------|------------------------------------|------------------------------------|
| | Type | Quantum | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund-based Bank Facilities | LT/ST | 111.57 | CRISIL D/ CRISIL D | | No Rating Change | 31-08-16 | CRISIL D/ CRISIL D | 25-11-15 | CRISIL BB/Negative/ CRISIL A4+ | 02-12-14 | CRISIL BB+/Negative/ CRISIL A4+ | CRISIL BBB/Negative/ CRISIL A3+ |
| Non Fund-based Bank Facilities | LT/ST | | -- | | -- | 15-06-16 | Withdrawal | | No Rating Change | 02-12-14 | CRISIL A4+ | CRISIL A3+ |

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

| Current facilities | | | Previous facilities | | |
|--------------------|-------------------|-----------|---------------------|-------------------|-----------|
| Facility | Amount (Rs.Crore) | Rating | Facility | Amount (Rs.Crore) | Rating |
| Short Term Loan | 2.74 | CRISIL D | Short Term Loan | 2.74 | CRISIL D |
| Term Loan | 108.83 | CRISIL D | Term Loan | 108.83 | CRISIL D |
| Total | 111.57 | -- | Total | 111.57 | -- |

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[The Infrastructure Sector Its Unique Rating Drivers](#)

[Rating Criteria for Construction Industry](#)

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|--|---|---|
| <p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com</p> | <p>Sachin Gupta Senior Director - CRISIL Ratings CRISIL Limited D:+91 22 3342 3023 Sachin.Gupta@crisil.com</p> <p>Sushmita Majumdar Director - CRISIL Ratings CRISIL Limited D:+91 22 3342 3162 Sushmita.Majumdar@crisil.com</p> <p>Suryaneel Das Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 22 3342 3164 Suryaneel.Das@crisil.com</p> | <p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p> |

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