

## Preeti Buildcon Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.11	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	67.89	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking 'No Default Statements' (NDS) from Preeti Buildcon Private Limited (PBPL), to monitor the ratings vide e-mail communications dated December 20, 2024, December 19, 2024, December 16, 2024, December 14, 2024, among others and numerous phone calls. However, despite our repeated requests, PBPL has not provided the NDS(s) for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings assigned to the bank facilities of PBPL will now be denoted as '**CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING\***'.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision in ratings assigned is on account of non-availability of requisite information for continuous monitoring of the ratings, due to the non-cooperation by PBPL with CARE Ratings, to provide the NDS(s) on monthly basis. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained by modest scale of operations and moderate profitability margins. Further, ratings factor in highly competitive industry with business risk associated with tender-based orders, working capital intensive operations and volatility associated with fluctuations in the input prices with absence of price escalation clause. The ratings, however, derive strength from experience of the promoters in the industry, with long track of operations, comfortable capital structure and moderate debt coverage indicators.

**Analytical approach:** Standalone.

### Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that the company shall continue to benefit from experience of the promoters in the civil construction industry.

### Detailed description of the key rating drivers

At the time of last rating on March 05, 2024, following were the key rating strengths and weaknesses (updated based on limited information available from registrar of companies).

### Key weaknesses

#### Modest scale of operations and moderate profitability margins

In FY24 (refers to the period from April 01, 2023, to March 31, 2024), the company's scale of operations remained largely stable, with total operating income (TOI) persisting largely in line with last year, at Rs.148.83 crore (PY: Rs.146.88 crore). Nevertheless, the scale remains modest, and it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, PBPL's revenues is derived from road construction and civil works, generally allotted by Public Works Department (PWD), National Highways Authority of India (NHAI) and other government agencies. Furthermore, effective and timely execution of the orders has a direct bearing on the total operating income and profitability margins of the company. In addition, the company's profitability margins improved in FY24, as marked by PBILDT (profit before interest, lease rentals, depreciation, and taxation) and PAT (profit after taxation) margin of 9.07% (PY: 6.15%) and 6.71% (PY: 4.31%) respectively.

#### Working capital intensive operations

PBPL's operations are working capital intensive as marked by high gross current assets of 180 days in FY24 (PY: 153 days). The company maintains minimum inventory in the form of raw materials at different sites for smooth execution of contracts. It raises bills on the completion of certain percentage of work and thereon which gets acknowledge by client after necessary inspection of work done. Post the inspection, department clears the payment by deducting certain percentage of bill raised (ranging from 5-10% of bill amount) in the form of retention money, which they refund after completion of order/ contract or submission of bank

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

guarantee results into an average collection period of 33 days in FY24 (PY: 15 days). Further, the company procures construction material on credit of 3-4 months from its suppliers resulting an average payable period of 125 days in FY24 (PY: 85 days). Average working capital utilization stood moderate at ~80% in the trailing 12 months ended November 30, 2024.

### Highly competitive industry, with business risk associated with tender-based orders

PBPL operates in construction industry, wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which limits the bargaining power of the company and exerts pressure on profitability margins. Further, the company receives all of its majority of work orders from government departments. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues of the firm. Moreover, the company majorly undertakes government projects which are awarded through tender-based system. This exposes the company towards risk associated with tender-based business, which is characterized by the intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

### Volatility associated with fluctuations in input prices and absence of price escalation clause

The prices of key raw materials namely, Steel, cement, bitumen, aggregates, etc. are highly volatile in nature. Though, PBPL does not have an in-built price escalation clause in its current contracts, the company includes the possibility of raw material volatility at the time of bidding for contracts. The volatility in input prices also impacted the profitability margins of the company. Moreover, the company does not enter into any agreement with client to safeguard its margins and against any increase in labour prices; it remains susceptible to the same. Hence any adverse fluctuation in the prices can adversely affect the profitability margins of the company.

## Key strengths

### Experienced promoters, with long track of operations

PBPL is promoted by Mr. Bijendra Singh and Ms. Preeti Chaudhary. It was initially established as a partnership firm in 2003. Later, the firm got converted into private limited company in 2009. Its overall operations are managed by directors, Mr. Jugendra Singh, Mr. Bijendra Singh, Ms. Preeti Chaudhary, and Ms. Vijaya Singh. They all have an experience of around two decades in same line of business. Mr. Bijendra Singh and Ms. Preeti Chaudhary are graduates. Mr. Jugendra Singh is an engineer and handles technical department of the company. Ms. Vijaya Singh has done graduation in MBBS. Further, due to the vast experience and history of successful completion of many projects, the directors have developed good reputation in the market as well as good relationships with suppliers and customers. Moreover, the directors have an adequate acumen about various aspects of business which is likely to benefit PBPL in the long run.

### Comfortable capital structure and debt coverage indicators

PBPL's capital structure continue to remain comfortable, marked by low overall gearing of 0.43x as on March 31, 2024 (PY: 0.21x). The debt coverage indicators of the company also remain comfortable, marked by interest coverage and total debt to gross cash accruals (TD/GCA) of 5.85x (PY: 4.29x) and 1.15x (PY: 0.69x) respectively in FY24.

## Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Short Term Instruments](#)

[Construction](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Based in Delhi, PBPL is engaged in road construction and civil works for PWD, NHA and other government agencies. The company has successfully completed various road construction projects majorly in the states of Uttar Pradesh and Uttarakhand.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	146.88	148.83
PBILDT	9.03	13.50
PAT	6.33	9.99
Overall gearing (times)	0.21	0.43
Interest coverage (times)	4.29	5.85

A: Audited, Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** India Ratings and Research (Ind-Ra) has retained the ratings assigned to the bank facilities of PBPL under Issuer not cooperating (INC) category vide its press release dated July 14, 2024, on account of its inability to carry out review in the absence of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT - Term Loan		-	-	31-03-2027	1.11	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT- Working Capital Limits		-	-	-	11.00	CARE BB; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/ Non-fund-based- CC/WCDL/OD/LC/BG		-	-	-	3.74	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	64.15	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	11.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable (05-Mar-24) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Jun-23)	1)CARE BB+; Stable (01-Dec-22) 2)CARE B; Stable; ISSUER NOT COOPERATING* (20-Sep-22)	1)CARE B; Stable; ISSUER NOT COOPERATING* (02-Jul-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	64.15	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+ (05-Mar-24) 2)CARE A4; ISSUER NOT COOPERATING* (06-Jun-23)	1)CARE A4+ (01-Dec-22) 2)CARE A4; ISSUER NOT COOPERATING* (20-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING* (02-Jul-21)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	3.74	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+ (05-Mar-24) 2)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (06-Jun-23)	1)CARE BB+; Stable / CARE A4+ (01-Dec-22)	-
4	Fund-based - LT-Term Loan	LT	1.11	CARE BB; Stable; ISSUER NOT	-	1)CARE BB+; Stable	-	-

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
				COOPERATING *		(05-Mar-24)		

\*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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