

Palathra Constructions

February 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.00	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	16.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Palathra constructions continue to be constrained by small scale of operations with moderate and concentrated order book position, moderate capital structure, elongated operating cycle and tender driven nature of business with highly competitive intensity. The ratings however derive strength from experienced promoters, comfortable profit margins and established relationship with government bodies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to scale up operations with total income above Rs.100 crore and improve the order book position to more than 2x of annual turnover with diversified orders.
- Efficient Working capital management with comfortable average utilization levels of less than 80%

Negative factors

- Any withdrawal of funds from capital leading to deterioration in capital structure above 4x
- Any further stretch in operating cycle leading to stretch in liquidity and working capital utilization

Analytical approach: Combined

CARE has combined the business and financial risk profiles of Palathra Constructions, Shaji Mathew and Manoj Mathew (together referred to as Palathra group). This is because all the entities are in similar lines of business, have common management, and share business synergies.

Outlook: Stable

The stable outlook reflects that the firm is expected to sustain its operational performance with established relationship with government entities along with the vast experience of the promoters.

Detailed description of key rating drivers:

Key Weaknesses

Small scale of operations with moderate and geographically concentrated order book

The group despite being in operations for over 3 decades, has its operating income in the range of Rs. 60 crores to Rs. 70 crores till FY22 (refers to the period April 01 to March 31). However, there is a decline in the total income in the last two years ended FY24 to around Rs. 40-42 crores due to slower execution and billing on account of delays in the funding by the government. The group has reported an income of Rs. 37 crores during 9mFY25 (refers to the period April 1 to December 31). The order book of the group stood at Rs. 81.21 crore (1.96 times of FY24 turnover) as on June 30, 2024 as against Rs. 69.59 crore as on September 31, 2023.

Moderate Capital Structure and weak debt protection metrics

The capital structure of the group remains moderate despite improvement in the overall gearing to 1.27x as on March 31, 2024 as against 1.58x as on March 31, 2023. The promoters provided unsecured loan of Rs. 1.43 crore in FY24 to fund working capital needs. The debt coverage metrics continue to be moderate with TD/GCA ratio of 27.36x as on March 31, 2024 (PY: 20.96x).

Tender driven nature of business with highly competitive industry

The work orders are tender-based and the revenues are dependent on the Palathra group's ability to bid successfully for these tenders. There are numerous fragmented & unorganized players operating in the industry

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

which makes the civil construction space highly competitive. Profitability margins come under pressure because of the competitive nature of the industry.

Key Strengths

Vast experience of promoters

The promoters of Palathra group, Mr. Shaji Mathew and Mr. Manoj Mathew have experience of over three decades in the field. The promoters worked under their father Mr. P.P. Mathews, who is a leading civil engineering contractor in Kerala before establishing Palathra Constructions in the year 2007

Comfortable profit margins

The PBILDT margin has been stable in the range of 13-17% in the last 5 years except during FY23 where the margin has improved to 22.05% against 13.35% in FY22 as the group invoked price escalation clauses for certain projects. PBILDT margin stood at 16.27% in FY24.

Established Relationship with government bodies

The Palathra group is into the civil construction business for the past four decades and has executed various orders. They undertake road construction projects for Kerala and central government Public Works Department (PWD), Kerala PWD National Highway department, Kerala state Rural Roads Development Agency etc.

Liquidity: Stretched

The liquidity of the group is stretched marked by tightly marked accruals against repayment obligations of Rs. 1.21 crores in FY25. The firm's nature of business is highly working capital intensive in nature. The working capital utilization for the past 12 months ended November 2024 stood around 90%. The utilization level of the non-fund-based limits of the group stood at over 60% during the twelve months ended November 2024. The working capital cycle of the firm is on the higher side at 423 days in FY24 (PY: 470 days) because of high work in progress inventory period and delayed collection of receivables

Assumptions/Covenants Not applicable

Environment, social, and governance (ESG) risks Not applicable

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Construction](#)
[Consolidation](#)
[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Palathra Constructions, a partnership firm, set up in the year 2007 at Changanacherry, Kottayam (Dist.), Kerala is an infrastructure civil engineering construction company promoted by Manoj Mathew, Shaji Mathew and Mon Mathew. Palathra Constructions executes various types of contracts such as laying roads, construction of buildings, canal & irrigation works, etc. Shaji Mathew and Manoj Mathew established in the year 1987 and 1993 respectively are engaged in civil construction and infrastructure related works

Brief Financials (₹ crore) Combined	31-03-2023 (UA)	31-03-2024 (UA)	9MFY25 (UA)
Total operating income	40.09	41.49	37.00
PBILDT	8.84	6.75	NA
PAT	0.89	0.36	NA
Overall gearing (times)	1.58	1.27	NA
Interest coverage (times)	1.41	1.33	NA

UA: Unaudited; NA: Not available Note: these are latest available financial results

Brief Financials (₹ crore) Standalone	31-03-2023 (A)	31-03-2024 (A)	9MFY25 (UA)
Total operating income	12.52	24.45	17.00
PBILDT	4.56	3.68	NA
PAT	0.26	0.07	NA
Overall gearing (times)	1.06	0.85	NA
Interest coverage (times)	1.38	1.38	NA

A: Audited UA: Unaudited; NA: Not available Note: these are latest available financial results

Status of non-cooperation with previous CRA: : CRISIL has conducted the review on the basis of best available information and has classified Palathra Constructions as 'Not cooperating' vide its press release dated May 08, 2024. The reason provided by CRISIL is non-furnishing of information for monitoring of rating.

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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-Cash Credit		-	-	-	17.00	CARE BB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	16.00	CARE A4

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-Cash Credit	LT	17.00	CARE BB-; Stable	-	1)CARE BB-; Stable (30-Nov-23)	1)CARE BB-; Stable (01-Nov-22)	1)CARE BB-; Stable (04-Oct-21)
2	Non-fund-based - ST-BG/LC	ST	16.00	CARE A4	-	1)CARE A4 (30-Nov-23)	1)CARE A4 (01-Nov-22)	1)CARE A4 (04-Oct-21)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender detailsTo 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 for clarifications.

Contact us

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