

Prasad Construction & Co. (Revised)

February 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	20.00	CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE A3 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 Ltd. has been seeking information from Prasad Construction and Co. to monitor the rating(s) vide e-mail communications dated November 04, 2024, November 18, 2024, November 27, 2024 and December 10, 2024, etc among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Prasad Construction and Co. has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Prasad Construction and Co.'s bank facilities 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 ratings have been revised on account of lack of clarity on future growth strategy and inability to monitor the performance of the group, which is critical for assessing the credit risk profile of the group.

The ratings assigned to the bank facilities of Prasad Construction and Co. is constrained by constitution as a partnership firm, geographical concentration, moderation in financial performance in FY24, working capital intensive nature of operation, volatility in the prices of raw materials and finished goods, fragmented nature of industry leading to intense competition. However the ratings derive strength from experienced promoters, proven project execution capabilities, modest order book position, lower counter party risk mitigated to a large extent and comfortable capital structure and debt protection metrics.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on February 06, 2024, the following were the rating strengths and weaknesses.

Key weaknesses

Constitution as a partnership firm: PCC is a partnership firm and accordingly exposed to inherent risk of partner's capital withdrawal at times of personal contingency of the partners and limited ability of the firm to raise capital. However, the firm has a strong capital base which has been building over the years and the partners have not withdrawn any major capital in the last 5 years.

Geographical concentration: The firm generally undertakes orders for construction of Government building works like school, colleges, hospitals, etc. in the states of Jharkhand and Bihar (around 43% of orders in hand are from Jharkhand followed by Bihar which constitutes around 22% of the order book). Of the total 11 orders, 1 is from Guwahati and 1 from Odisha. Apart from this under the firm's L1 profile of Rs 259.44 crores, around Rs 163.31 crores is from Odisha. The ability of the firm to successfully complete the project and establish its position in states other than Bihar and Jharkhand will be a key rating monitorable.

Moderation in financial performance in FY24: The TOI of the firm recorded a decline of 17.53% from Rs 239.80 crores in FY23 to Rs 197.76 crores in FY24. The PBILDT margin remained stable from 14.25% in FY23 to 15.11% in FY24. Further, the firm has reported Gross cash accruals (GCA) of Rs.20.04 crore in FY24 as compared to Rs 23.52 crores in FY23.

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

Working capital intensive nature of operation: The operations of the firm remained working capital intensive as the firm executes orders mainly for public sector units and government departments. Though the firm receives payment of bills raised within a week, around 2.5% to 8% of the amount billed is deducted as security deposits, 50% of which are released after 6 months and the rest after 1-3 years of the work completed (different timeline for different projects). However, the work with CPWD has a retention of 2.5% which is released after the Defect liability period of 6 months to 1 year post completion of the projects. The operating cycle of PCC has deteriorated to 78 days in FY24 as against 52 days in FY23. The creditor period for FY24 stood 78 days, which helps the firm to rely less on bank lines for its fund based working capital requirements.

Volatility in the prices of raw materials and finished goods: The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. The prices of which are highly volatile. However, current government agencies' works contract has a price escalation clause which mitigates price volatility risk to some extent. Furthermore, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with an increase in labour prices being in labour intensive industries.

Fragmented nature of industry leading to intense competition: The industry is characterized by many small and mediumsized players working at a regional level and orders are generally tender driven in case of state utilities. Accordingly, the same is resulting in stiff competition and puts pressure on profitability margins of the firm. However, being an old and established player with an established track record and being registered as a Class 1 (AAA) contractor with CPWD, the firm is in a better place to deal with the competition.

Key strengths

Experienced promoters: PCC was incorporated in 1992 as a partnership concern, by Ranchi, Jharkhand based Mr. Laxman Prasad. The day-to-day operations are looked after by Mr. Laxman Prasad who has over 3 decades of experience in the field of civil construction and is assisted by a team of experienced personnel and engineers.

Proven project execution capabilities: PCC has a satisfactory contract completion track record. The firm generally bags contract through participation in government tenders and operates majorly in the states of Jharkhand and Bihar. Furthermore, repetitive orders received from its existing clients corroborate the group's proven project execution capability. The firm is enlisted as a Class-1 (AAA) contractor vendor for Central Public works Department (CPWD) which allows it to submit tenders for work in the department across the country.

Modest order book position: The firm has an outstanding order book worth Rs 346.51 crores as of December 31, 2023, as against Rs.362.93 crore as of December 31, 2022, which is equivalent to ~1.44x of total operating income in FY23. The orders are mainly in respect of building contract works like construction of hostels, colleges, hospitals and likewise majorly for government departments. Of the total order book, around four orders with o/s order book of Rs.149.68 crore which were awarded in the fiscal year 2022, have seen significant delays owing to unavailability of land for construction and delay in receipt of drawings/approvals, however as articulated by management the pending issues have been resolved for orders having residual value of Rs.114.12 crore and significant construction progress has happened. Apart from this, the firm has been declared L1 bidder for orders worth Rs 259.44 crores against which Letter of Acceptance (LOA) remains pending to be signed. Execution of orders which have recorded significant delays and further scale of order book from current levels remains a key rating sensitivity.

Lower counter party risk mitigated to a large extent: The firm generally participates in the government tenders from whom they have got repetitive orders. Furthermore, being associated as a Class 1 (AAA) contractor with Central Public Works Department (CPWD), Building Construction Department (BCD), Bihar Medical Services and Infrastructure Corporation Limited and other such parties leads to lower counterparty risk.

Comfortable capital structure and debt protection metrics: The capital structure of the firm remains comfortable marked by overall gearing which improved from 0.08x as of FY23 to 0.03x as of FY24 on the back of profit accretion to reserves and no presence of long-term debt. The firm has maintained moderate debt levels, majorly contributed by unsecured loans from promoters and related entities. The debt coverage indicators also recorded improvement and remained comfortable wherein Total debt to Gross Cash Accruals (TD/GCA) stood at 0.15x as of March 31, 2024, as against 0.23x as on March 31, 2023. Interest coverage of the firm was comfortable at 47.70x as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Prasad Construction & Co. (PCC) was incorporated in 1992 as a partnership concern, Ranchi, Jharkhand based by Mr. Laxman Prasad. The firm is engaged in civil construction and undertakes contract of development of Government buildings majorly including colleges, hostels, and hospitals. PCC generally bags contract through participation in government tenders and operates in the state of Jharkhand and Bihar. The firm is a Class 1 (AAA) recognised vendor for Central Public works Department (CPWD) which allows it to submit tenders for work across the country. The day-to-day operations are looked after by Mr. Laxman Prasad who has over 3 decades of experience in the field of civil construction.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	239.80	197.76
PBILDT	34.17	29.88
PAT	22.35	18.85
Overall gearing (times)	0.08	0.03
Interest coverage (times)	93.36	47.70

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

Status of non-cooperation with previous CRA: Not Applicable

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-Cash Credit		-	-	-	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	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	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Feb-24)	1)CARE A3 (07-Feb-23)	1)CARE A3 (04-Mar-22)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (06-Feb-24)	1)CARE BBB-; Stable (07-Feb-23)	1)CARE BBB-; Stable (04-Mar-22)

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

LT: Long term; ST: Short term; LT/ST: Long term/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-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 for clarifications.

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About us:

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Disclaimer:

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