

## PJR Project Constructions Private Limited

February 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	30.00	CARE BB; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of PJR Project Constructions Private Limited takes into account increased reliance on sub-contractors for execution of orders in FY24 (A) [FY refers to the period April 01 to March 31], presence of slow-moving orders, geographical and sectorial concentration of works-in-hand, elongated operating cycle despite improvement and fragmented nature of construction sector with tender-based nature of operations and execution challenges and stretched liquidity.

The rating weaknesses are partially offset by improvement in total operating income (TOI) in FY24 (A) and 9MFY25 (UA), satisfactory order book position, experienced promoters with established track record of construction business, stable profitability margins, moderate capital structure with comfortable debt coverage ratio and stable industry outlook.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Achieving TOI of Rs.100 crore on sustainable basis
- Operating margin of 10% and above on a sustainable basis

#### Negative factors

- Delays in execution of orders beyond stipulated time frame and delay in receipt of collection of receivables from customers on a sustained basis.
- Any large debt funded capex impacting the liquidity

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook indicates that the entity will continue to benefit from the extensive experience of the promoters and management in the industry which is expected to result in order inflow and steady realizations for executed works.

### Detailed description of key rating drivers:

#### Key weaknesses

**Presence of slow-moving orders:** Despite having satisfactory order book as on December 31, 2024, PJR also has few slow-moving orders amounting to Rs. 55.48 crore primarily because of issues with respect to land acquisition and clearances. Excluding slow-moving orders, the active order book to sales ratio stands at 2.25x.

**Geographical and sectorial concentration risk:** The geographical presence of PJR clients is restricted to Andhra Pradesh and Odisha which reflects high geographical concentration risk. Further, the orderbook is concentrated towards Civil works (46.60%), irrigation segment (21.49%) followed by building works (28.92%) and road works (2.99%).

**Elongated operating cycle:** Operating cycle of PJR though improved on account of reduction in inventory days remained elongated. Operating cycle of the company improved to 157 days in FY24 as compared to 208 days in FY23. Creditors days increased slightly but remained satisfactory at 12 days in FY24. Average working capital utilisation for past 12 months ended December 2024 stands high at around 96%.

**Fragmented nature of construction sector with tender-based nature of operations and execution challenges:** The infrastructure sector in India is highly fragmented and competitive with many small and mid-sized players. This coupled with tendering process in order procurement results in intense competition within the industry, fluctuating revenues, and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. All these are tender-based and the revenues are dependent on the ability of the company

<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.

to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. However, the promoter's long industry experience of nearly five decades mitigates this risk to some extent.

**Increased reliance on sub-contractors for execution of orders:** With increasing order book, the company's reliance on subcontractors witnessed increase in FY24. PJR had given sub-contracting for execution of Visakhapatnam Port Trust and GVMC orders which led to higher sub-contracting expenses to cost of sales. Given the orders from VPT are almost executed in full, the reliance on sub-contracting is expected to gradually decrease.

## Key strengths

**Experienced promoters with established track record of construction business:** The company is promoted by Mr. P. Janakirama Raju (Director) who has an experience of 45 years in construction business. He is a special class contractor and qualified to category 2 contractor for EPC Packages in AP Government. The company is also promoted by Dr K S Vijaya Narasimha Raju (Director) and Dr K.V. Krishnam Raju (Managing Director) having more than two decades of experience in same line of business. The company has an established track record of more than two decades in civil construction business

**Improvement in total operating income (TOI) in FY24 and 9MFY25:** The total operating income of the company increased by about 55% to Rs. 55.08 crore as compared to Rs.35.41 crore in FY23 led by execution of orders in hand particularly that of Visakhapatnam Port Trust (VPT) and Metallurgical & Engineering Consultants (India) Limited (MECON).

In 9MFY25, with continued execution of orders, PJR reported revenue of Rs. 31 crore which is ~56% of revenue reported in FY24. With significant portion of revenue gets billed in Q4 of financial year, the company is expecting a revenue of Rs.60 crore for full year FY25. PBILDT margin increased by 70 bps and stood at 9.58%. Further, PAT margin also increased slightly by 37 bps and stood at 3.68%.

**Improved profitability margins:** In FY24, with increase in scale, profitability in terms of absolute level increased with PBILDT of Rs. 4.89 crore and PAT of Rs. 1.27 crore. PBILDT margin for PJR moderated slightly by 25 bps and stood at 8.88% in FY24 as compared to 9.13% in FY23 due to increased sub-contracting expenses in FY24. However, PAT margin remained with slight increase by 36 bps to 2.31% in FY24 as compared to 1.95% in FY23. Further, PBILDT margin increased by 70 bps and stood at 9.58% and PAT margin increased slightly by 37 bps and stood at 3.68% in 9MFY25.

**Satisfactory orderbook position:** As on December 31, 2024, PJR has satisfactory orderbook of Rs. 179.66 crore which translates to 3.26x of gross billing of FY24, which indicates medium term revenue visibility. However, Rs.55.48 crore worth of orders are slowing moving because of land acquisition and clearance issues. Excluding slow moving orders, the order book to sales ratio stands at 2.25x.

As of December 31, 2024, PJR has about 38% of orders from MECON Limited which is a subsidiary of Steel Authority of India Limited (SAIL). PJR also bagged a major order amounting to Rs. 33.3 crore from Water and Power Consultancy Services (India) Limited (WAPCOS) which is expected to be completed in 2026. Apart from these, orders funded by AP Government amounts to Rs.59.50 crore (33.12%) and the orders funded by Central Government Rs.46.89 crore (26.10%) and Visakhapatnam Port Trust of Rs.5.37 crore (2.99%).

**Moderate capital structure and comfortable debt coverage ratio:** The debt profile of PJR consists of long-term loans, mobilisation advances, cash credit, loans against FDR, NISC and loans from promoters/related parties. Capital structure stood moderate marked by overall gearing ratio which stood at 0.85x as of March 31, 2024 (improved from 0.99x as of March 31, 2023) with scheduled repayment of term loan and reduction in unsecured loans. TOL/TNW stands at 1.06x as on March 31, 2023 (PYE: 1.14x). Debt coverage indicators marked by Total Debt/GCA ratio improved with increase in the gross cash accruals levels but remained high at 10.68x (17.02x in FY23) and interest coverage ratio improved slightly improved stood at 1.92x (1.83x in FY23).

**Stable industry outlook:** The outlook for India's infrastructure sector is promising, with the market size expected to grow from USD 204.06 billion in 2024 to USD 322.27 billion by 2029, at a CAGR of 9.57%. Despite past challenges like cost overruns and delays, the sector is poised for economic revival, driven by the National Infrastructure Pipeline (NIP). This initiative has been pivotal in boosting the construction industry and infrastructure projects post-COVID-19.

The infrastructure sector, encompassing construction, urban and rural development, real estate, telecommunication, and transport, significantly contributes to India's GDP, accounting for about 9%. The government plans to invest approximately INR 102 lakh crore (USD 1.5 trillion) in infrastructure projects by 2024-25. Key sectors such as energy, roads, urban development, and railways are expected to receive around 70% of this investment, highlighting the sector's critical role in India's economic growth.

## Liquidity: Stretched

Liquidity of PJR remains stretched by generation of cash accrual of Rs 2.35 crore in FY24 which is tightly matched with the repayment obligation of Rs.1.47 crore for FY25. Further, working capital utilisation for past 12 months ended December 2024 stood high at ~96%. Further, PJRs free cash and bank balances reduced to Rs.0.20 crore as of March 31, 2024 (as against Rs. 1.20 crore as on March 31, 2023). During the year, the company had repaid portion of unsecured loans to promoters. This was

through existing cash balance and by extending the payments to creditors. However, the management had indicated that the promoters have infused funds in current fiscal and outstanding unsecured loans as of December 31, 2024 stands at Rs.4.67 crore.

**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](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

PJR Project Constructions Private Limited (PJR) was incorporated in December 2001, with a registered office at Banjara Hills, Hyderabad, Telangana, and administrative office at Maddilapalem, Visakhapatnam, Andhra Pradesh. The company is promoted by P. Janakirama Raju, K.S. Narasimha Raju and K.V. Krishnam Raju. The company has expertise in completing total turnkey construction project with flexibility to handle fast track turn around. This apart, it is engaged in execution of various projects, namely, Irrigation projects, Roads & Buildings, Railway Embankments & Railway Siding works, Industrial Building & Infrastructure, Construction of Bridges & Culverts, Land Development works, etc. PJR is a 'Special Class Contractor' for Irrigation projects in Telangana and Andhra Pradesh. The company has executed various projects for Public Works Departments of Telangana and Andhra Pradesh, Electrical Dept. of Tamil Nadu as well as reputed private entities, namely, Rashtriya Ispat Nigam Ltd, Bhabha Atomic Research Centre, Hindustan Petroleum Corporation Ltd, National Mineral Development Corporation, etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	35.41	55.08	31.00
PBILDT	3.23	4.89	2.97
PAT	0.69	1.27	1.14
Overall gearing (times)	0.99	0.85	NA
Interest coverage (times)	1.83	1.92	4.12

A: Audited UA: Unaudited; NA: Not available; 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	-	-	-	-	10.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	30.00	CARE BB; Stable / 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	10.00	CARE BB; Stable	-	1)CARE BB; Stable (28-Feb-24)	1)CARE BB-; Stable (20-Mar-23)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	30.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (28-Feb-24)	1)CARE BB-; Stable / CARE A4 (20-Mar-23)	-

LT: Long 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 - 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:

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