

December 08, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB/Stable (Assigned)
Bank Guarantee	3.75	SMERA A4+ (Assigned)
Proposed Cash Credit	6.00	SMERA BB/Stable (Assigned)
Proposed Bank Guarantee	8.25	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) to the Rs.8.00 crore long-term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA single A four plus**) to the Rs.12.00 crore short-term (non-fund based) bank facilities of P. K. Saxena Contractor (PK). The outlook is '**Stable**'. The ratings are supported by the firm's established track record of operations, healthy profit margins, strong debt protection metrics and experienced management. The ratings are also supported by the strong revenue growth registered by the firm. However, the ratings are constrained by the firm's exposure to intense competition in the civil construction industry.

PK, established in 1998, is a Moradabad-based proprietorship firm engaged in undertaking civil construction and engineering, procurement and construction (EPC) contracts. The firm reported healthy net profit margin of 4.04 per cent in FY2013-14 (refers to financial year, April 01 to March 31). PK has strong debt protection metrics marked by leverage of 0.46 times as on March 31, 2014 and interest coverage ratio of 4.15 times in FY2012-13.

PK benefits from its experienced management. Mr. P. K. Saxena, proprietor of PK, has a postgraduate degree in science with around two decades of experience in the firm's line of business. PK's revenues have grown at a strong compound annual growth rate (CAGR) of ~73 per cent during FY2010-11 to FY2013-14.

PK's financial profile is susceptible to intense competition in the civil construction industry.

Outlook: Stable

SMERA believes PK will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and profitability while maintaining strong debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile or working capital management.

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SMERA RATINGS LIMITED

P. K. Saxena Contractor (PK)

*Rating
Rationale*

About the firm

PK, established in 1998, is a Moradabad-based proprietorship firm promoted by Mr. P K Saxena. PK undertakes civil construction and EPC contracts.

For FY2013–14, PK reported profit after tax (PAT) of Rs.1.01 crore on operating income of Rs.25.11 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.6.83 crore in FY2012–13. The firm reported revenue of Rs.21.00 crore (provisional) during April 2014 to November 2014. PK's net worth stood at Rs.6.17 crore as on March 31, 2014, as compared with Rs.5.31 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President – SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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