

P. K. & Sons: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee/Letter of Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) and **SMERA A4** (read as **SMERA A four**) to the above mentioned bank facilities of P. K. & Sons (PKS). The outlook is '**Stable**'.

The ratings are constrained by the small scale of operations, average financial risk profile and working capital intensive operations. However, the ratings derive comfort from the experienced management, reputed customer base and healthy order book position.

PKS commenced operations in 2009 to construct roads, railways, highways among others. The firm has small scale of operations with revenues of around Rs.7.11 crore in FY2014-15. The financial risk profile is average marked by thin PAT margin at 1.82 percent, high interest coverage ratio of 6.53 times and low net worth of Rs.0.57 crore, supported by unsecured loans of Rs.0.69 crore. The operations are working capital intensive with gross current asset days of 113 days in FY2014-15.

However, the ratings derive comfort from the experienced management. PKS has healthy order book position with orders in hand of around Rs.189.00 crore, providing revenue visibility for the next five years.

Rating Sensitivity Factors

- Scaling up operations while maintaining stable profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that PKS will benefit from its promoter's extensive experience and moderate order book position. The outlook may be revised to 'Positive' in case the firm achieves growth in revenue along with improved profitability and maintains its capital structure. Conversely, the outlook may be revised to 'Negative' if PKS fails to scale up on expected revenues and profitability or if the working capital cycle deteriorates.

About the Firm

Established in 2009, PKS is a Gujarat-based proprietorship firm promoted by Mr. Krunal Patel. The firm is engaged in the construction of roads, railways, highways among others for the public as well as the private sector.

For FY2014-15, PKS registered profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.7.11 crore.

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ABOUT SMERA

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