

## Press Release

### P K Construction Shimla Private Limited

March 18, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 23.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 23.00 crore bank facilities of P K Construction Shimla Private Limited (PKCS). The outlook is '**Stable**'.

PKCS was incorporated in 2016 by Mr. Pramod Kumar Sood. Earlier established as a proprietorship in 1984 and reconstituted as a private limited company in 2016, PKCS undertakes civil construction work and development of roads and bridges for government departments in Himachal Pradesh.

### Analytical Approach

Acuité has considered the standalone financial and business risk profile of PKCS to arrive at the rating.

## Key Rating Drivers

### Strengths

#### • Experienced management

Reconstituted in 2016, the company is promoted and managed by Mr. Pramod Kumar Sood and his family. The key promoter of PKCS is engaged in this industry for more than three decades. The extensive experience of the management has helped the company in establishing healthy relations with its customers and suppliers which in turn has helped the company secure healthy contracts. PKCS has unexecuted order book of Rs.147.00 crore as on January 31, 2019.

#### • Moderate financial risk profile and comfortable liquidity position

PKCS's financial risk profile is marked by its moderate net worth, low gearing and moderate debt protection measures. The net worth stood at Rs.6.94 crore as on 31 March, 2018 as against Rs.4.21 crore in the previous year. The company's gearing improved and stood at 0.91 times as on 31 March, 2018 as against 1.70 times in the previous year. The total debt of Rs.6.28 crore consists of long term debt of Rs.0.24 crore and Rs.6.05 crore of short term working capital borrowings. The healthy revenue growth coupled with moderate profitability levels have resulted in healthy net cash accruals of Rs.3.34 crore. The interest coverage ratio stood at 4.64 times in FY18 as against 4.19 times in the previous year. NCA/TD ratio stood 0.53 times in FY18. Acuité believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals and minimal reliance on long term debt.

### Weaknesses

#### • Profitability susceptible to fluctuations in input cost

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with labour cost constituting around ~66 percent of the total revenue as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 7.57 percent in FY2018 as against 9.23 percent in the previous year.

#### • Highly competitive industry and tender driven business

The industry is highly fragmented with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. Further, operations of the company are tender-based and order procurement depends on the successful bidding of projects.

#### Liquidity Position:

PKCS has comfortable liquidity marked by generation of cash accruals of Rs.3.34 crore in FY2018 and the same is expected to be in the range of Rs.3.6-4.2 crore over the medium term against its maturing repayment obligations of Rs.0.24 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 150 in FY2018 which are highly dominated by other current assets of Rs.17.28 crore (i.e retention money and EMD deposits). The group maintains unencumbered cash and bank balances of Rs.4.32 crore as on March 31, 2018. The current ratio of the group stands at 1.15 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

#### Outlook: Stable

Acuite believes that the outlook on PKCS's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience, moderate financial risk profile and comfortable liquidity position. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.88	54.69	0.00
EBITDA	Rs. Cr.	5.37	5.05	0.00
PAT	Rs. Cr.	2.72	2.19	0.00
EBITDA Margin	(%)	7.57	9.23	0.00
PAT Margin	(%)	3.84	4.00	0.00
ROCE	(%)	43.16	80.12	-21.85
Total Debt/Tangible Net Worth	Times	0.91	1.70	0.00
PBDIT/Interest	Times	4.64	4.19	-136.96
Total Debt/PBDIT	Times	1.07	1.31	0.00
Gross Current Assets (Days)	Days	150	167	0

#### Status of non-cooperation with previous CRA (if applicable)

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.75	ACUITE A3
Proposed	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE A3

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**About Acuité Ratings & Research:**

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