

Press Release
P K Construction Shimla Private Limited

July 08, 2021



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed & assigned)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

About the Company

PKCS was incorporated in 2016 by Mr. Pramod Kumar Sood. Previously, the company was established as a proprietorship in 1984 and later it was 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 and long track record of operation

The company was first established as a proprietorship concern in 1984 and later it was reconstituted as a private limited company in 2016. The company is promoted by Mr. Pramod Kumar Sood and his family. The promoters of PKCS has been engaged in the construction 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 order book position. PKCS has unexecuted order book of Rs.183.00 crore as on 21-June-2021.

Acuité believes the company will benefit from its established presence, experienced management and its association with reputed suppliers to sustain their business in the near to medium term.

• Healthy financial risk profile with growth in operating income and stable profitability

Company's financial risk profile remained healthy marked by above average net worth, high gearing and strong debt protection metrics. The net worth of the company stood at Rs.18.82 Crore as on 31 March 2021 (Provisional) as against Rs.13.54 Crore as on 31 March 2020. The gearing level (debt-equity) stood strong at 0.06 times as on 31 March 2021 (Provisional) as against 0.32 times in 31 March 2020. The total debt of Rs.1.16 Crore as on 31 March 2021 (Provisional) consists of secured loan of Rs.1.11 Crore and unsecured loan of Rs.0.05 Crore. The interest coverage ratio (ICR) stood at 6.38 times in FY2021 (Provisional) as against 6.39 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 4.54 times in FY2021 (Provisional) as against 0.80 times in FY2020. DSCR stood at 6.38 times in FY2021 (Provisional) as against 6.39 times in FY2020. Debt-EBITDA stood strong at 0.19 times in FY2021 (Provisional) as against 0.79 times in FY2020.

In FY2021 (Provisional), the revenue have increased by 20.75% and stood at Rs.62.70 Crore as against Rs. 51.93 Crore in FY2020. The EBITDA Margins stood at 9.89 percent for FY2021 (Provisional) as against 9.28 percent in FY2020. The PAT Margins stood at 5.38 percent for FY2021 (Provisional) as against 5.62 percent in FY2020.

Weaknesses

- **Moderately intensive working capital nature of operation**

The working capital management of the company is moderately intensive in FY2021 (Provisional) marked by Gross Current Assets (GCA) of 147 days in FY2021 (Provisional) as against 150 days in FY2020. The inventory and debtor levels stood at 34 days and 65 days in FY2021 (Provisional) as against 24 days and 95 days in FY2020, respectively. The bank limits utilization stood at 75% in the last six months ending May, 2021. Acuité believes that the working capital requirements will continue to remain moderately intensive over the medium term on account of slightly high GCA days.

- **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 unorganized 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.

Rating sensitivity

- Further improvement in operating income and profitability will lead to strong financial risk profile.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 3.87 Crore in FY2021 (Provisional). The cash accruals of the company are estimated to remain in the range of around Rs.4.50-6.00 Crore during FY2022-24 against CPLTD of not more than Rs.0.50 Crore each year for the same period. Company's working capital operations are moderately intensive marked by gross current asset (GCA) days of 147 days in FY2021 (Provisional). As a result, the bank limit utilization stood at 75% in the last six months ending May, 2021. Company maintains unencumbered cash and bank balances of Rs.4.47 Crore as on 31 March 2021 (Provisional). The current ratio stands at 1.14 times as on 31 March 2021 (Provisional).

Outlook: Stable

Acuité 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 established operational track record. 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	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	62.70	51.93
PAT	Rs. Cr.	3.37	2.92
PAT Margin	(%)	5.38	5.62
Total Debt/Tangible Net Worth	Times	0.06	0.32
PBDIT/Interest	Times	6.38	6.39

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
18-June-2020	Cash Credit	Long term	6.50	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.75	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	3.75	ACUITE A3 (Reaffirmed)
18-March-2019	Cash Credit	Long term	6.50	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	12.75	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	3.75	ACUITE A3 (Assigned)

*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 (Reaffirmed)
Term Loan	June-2020	7.80%	May-2024	0.55	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.75	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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