

Press Release

P K Construction Shimla Private Limited

October 06, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.95	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	7.05	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed long-term rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating from '**ACUITE A3**' (read as **ACUITE A three**) on Rs.23.0 crore of bank facilities of P K Construction Shimla Private Limited (PCSPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The reaffirmation in ratings take into account satisfactory total operating income led by moderate order book position. Further, ratings also factor in the comfortable financial risk profile with improved working capital management resulting in adequate liquidity. The above ratings are, however underpinned by moderation in EBITDA margin, concentration of order book on clientele and geographical front led by tender based nature of business.

About the Company

P K Construction Shimla Private Limited (PKCS), 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 develops roads and bridges for government departments in Himachal Pradesh.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PCSPL to arrive at the rating

Key Rating Drivers

Strengths

Satisfactory financial performance in FY22

The total operating income of the company remained at similar level at Rs.68.89 crores in FY22 (Prov.) as against Rs.62.68 crores in FY21, thereby reporting y-o-y growth of ~10%. In line with revenue, the EBITDA remained at similar level with marginal improvement to Rs. 5.88 crores in FY22 (Prov.) vis-à-vis Rs.5.62 crores in FY21. The net profit also improved marginally to Rs.5.07 crores (tax not considered) in FY22 as against Rs.3.24 crores in FY21. The net profit margin also

increased to 7.36% in FY22 (Prov.) vis-à-vis 5.17% in FY21.

Acuite believes that total operating income of the company is expected to improve going ahead considering the outstanding order book.

Comfortable financial risk profile

The capital structure as represented by debt-equity continues to remain at comfortable level at 0.37 crore as on March 31, 2022 (Prov.). The same remained at 0.07 times as on March 31, 2021. The marginal moderation is on account of credit balance of working capital borrowings as on March 31, 2021. Similarly, net cash accruals to total debt remained at 0.62 times in FY22 (Prov.) vis-à-vis 3.31 times in FY21. The debt-EBITDA remained at 1.39 times in FY22 (Prov.) as against 0.19 times in FY21. Hence, the total outstanding liability by tangible net worth remained at similar level at 1.48-1.52 times in FY21-22, led by accretion of profit to reserves, thereby strengthening tangible net worth. The interest coverage ratio also improved during FY22 to 7.26 times in FY22 (Prov.) as against 6.10 times in FY21 led by increase in operating profit.

The company is not planning to avail any additional term debt; hence financial risk profile of the company is expected to remain at similar level.

Working capital management

The gross current asset days of the company remained at 134-180 days in FY21-22, led by increase in debtors outstanding as on March 31, 2022. The company raises bill depending on milestones achieved. The billing cycle is usually once in 45 days and bills are realized within 15 days. The debtors days elongated to 103 days in FY22 with debtors outstanding balance of Rs.19.36 crores as on March 31, 2022. As on date, debtors outstanding remains at Rs.6.50 crore as on March 31, 2022. The inventory days remained at 34-35 days in FY21-22 (Prov.). The materials are procured locally. The creditors days remained at 90-130 days.

The average working capital utilisation for the past 12 months ending June 2022 remained at ~87%.

Weaknesses

Moderate order book with Geographical and clientele concentration

The outstanding order book for the month ending September 2022 remained at 85.85 crore as on August 2022, thereby translating to order book to gross billing ratio of 1.25 times; hence, providing short-medium term revenue visibility. The major portion of order is being executed for Himachal Pradesh Public Works Department and hence, constitute to ~64% of outstanding order book. Further, the company also has geographical concentration with all the orders being executed in Shimla. There are total 9 orders with ticket size ranging between Rs.3.0-13.0 crores. The company receives mobilisation advances of 5% of order book. The order book is also concentrated on ticket size front with top 3 orders constituting to 54.49%. Further, with major orders being executed in Shimla, the work execution gets impacted due to heavy rainfall between June-September. Further, retention amount is 6% for every bill being raised.

Moderation in EBITDA margin

The EBITDA margin, however moderated marginally by 43 bps to 8.53% in FY22 (Prov.), led by increase in labour expenses.

Tender based operation

The industry is unorganized and highly competitive and hence, the revenue generation is dependent on ability of company in succeeding in receiving tenders.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Significant improvement in order book.

>Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

>Any delay in execution of work orders.

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the company continues to remain at adequate level with net cash accruals of Rs.5.07 crores as against debt repayment of Rs.0.21 crore. The company is not planning to avail any major term debt, hence, the liquidity profile is expected to remain at adequate level. The cash and bank balance remained at Rs. 2.69 crores as on March 31, 2022. The liquidity profile is expected to remain adequate in medium term.

Outlook: Stable

Acuité believes that the outlook on PKSPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	68.89	62.68
PAT	Rs. Cr.	5.07	3.24
PAT Margin	(%)	7.36	5.17
Total Debt/Tangible Net Worth	Times	0.37	0.07
PBDIT/Interest	Times	7.26	6.10

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

PCSPL rating was migrated to 'ISSUER NON COOPERATING' status with Crisil through its rating rationale dated June 28, 2022.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jul 2021	Bank Guarantee	Short Term	12.75	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	3.20	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.55	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
18 Jun 2020	Proposed Bank Facility	Short Term	3.75	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.75	ACUITE A3 (Reaffirmed)
18 Mar 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.75	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Term Loan	30-06-2020	Not available	31-05-2024	0.55	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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