



Press Release
P K CONSTRUCTION SHIMLA PRIVATE LIMITED
December 29, 2023
Rating Reaffirmed

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

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 (PKCSPL). The outlook is revised from '**Stable to Negative**'.

Rationale for the rating and revision in outlook:

The revision in rating outlook takes into account the slower-than-anticipated build up of order pipeline as reflected in the modest orderbook position of Rs.39.10 Cr (unexecuted order value) as on october 31, 2023 and is awaiting bid opening of new orders worth Rs.65 Cr as on date. The outstanding order book is 0.56x of the FY2023 revenue and relatively slower movement expected in the order book over the medium term.

The reaffirmation in ratings take into account stable total operating income which stood at Rs.70.22 Cr in FY2023 as against Rs.63.50 Cr in FY2022. The operating margins ranged between 8.48-8.71 percent for the last two years ended FY2023. Further, ratings also factor in the moderate financial risk profile with improved working capital management resulting in adequate liquidity. the gearing of the company stood at 0.19 times in FY2023 as against 0.41 times in FY2022. The interest coverage ratio stood at 8.67 times in FY2023 as against 7.30 times in FY2022. The rating, however, remain constrained on account of intensive working capital cycle and tender based operation.

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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

- **Established track record of operation and experienced management**

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. PKCS has unexecuted order book of Rs.39.10 Cr as on October 31, 2023. Acuité believes the company will benefit from its established presence, experienced management to sustain their business in the near to medium term.

- **Moderate financial risk profile**

The company's financial risk profile is marked by a moderate net worth, low gearing comfortable debt protection metrics. The net worth of the company stood at Rs.23.94 Cr and Rs.19.99 Cr as on March 31, 2023 and 2022 respectively. The gearing of the company improved and stood at 0.19 times as on March 31, 2023 against 0.41 times as on March 31, 2022. The improvement in the gearing is because minimal utilization of short term limits. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 8.67 times and 5.31 times as on March 31, 2023 respectively as against 7.30 times and 5.71 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 0.81 times and 1.67 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 0.67 times as on March 31, 2023 as against 1.38 times as on March 31, 2022. Acuité believes that the financial risk profile will continue to remain moderate on account of moderate cash accruals and minimal reliance on long term debt.

Weaknesses

- **Modest order book position:**

The company's order book is modest with unexecuted order book position of Rs.39.10 Cr as on October 31, 2023. The outstanding order book is 0.56x of the FY2023 revenue, which provides inadequate revenue visibility for next one year, however around Rs. 65 Cr of the new orders are in bidding process as on date. Further, order book position is expected to be shown a relatively slower movement over the medium term.

- **Working capital intensive operations**

PKCS's operations are working capital intensive operations marked by gross current assets (GCA) days at 114 days as on March 31, 2023 as against 190 days as on March 31, 2022. However, there is an improvement in the GCA days is on account of major improvement in debtor days. Inventory days stood at 14 days as on March 31, 2023 as against 26 days as on March 31, 2022. The debtor day stood at 62 days as on March 31, 2023 as against 109 days as on March 31, 2022. Subsequently, the payable period stood at 96 days as on March 31, 2023 as against 168 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last twelve months ended October, 2023 remained at 93 percent for fund based limits and 34 percent for non-fund based.

- **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

Rating Sensitivities

- Significant improvement in order book.
- Any elongation of the working capital cycle leading to deterioration in debt protection

All Covenants

None

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.4.57 Cr in FY2023 as against the repayment of Rs.0.23 Cr for the same period and expected to generate cash accruals in the range of Rs.4.00-4.16 Cr. against CPLTD of Rs.0.20- 0.23 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.02 Cr as on March 31, 2023. The current ratio of the company stood at 1.22 times as on March 31, 2023. Further, the average bank limit utilization in the last twelve months ended October, 2023 remained at 93 percent for fund based limits and 34 percent for non-fund based. Acuité believes that PKCS liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Negative

Acuité believes that the outlook on PKCS will remain 'Negative' on account of its modest order book position. The rating may be 'downgraded' if there is higher than expected decline in its revenue or profitability and further deterioration in order book position . The outlook may be revised to 'Stable' in case of significant improvement in the order book position and stable scale of operations while maintaining the profitability and successful execution of work orders.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	70.22	63.50
PAT	Rs. Cr.	4.13	3.21
PAT Margin	(%)	5.88	5.05
Total Debt/Tangible Net Worth	Times	0.19	0.41
PBDIT/Interest	Times	8.67	7.30

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

Not applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2022	Bank Guarantee	Short Term	12.75	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	3.20	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.55	ACUITE BBB- Stable (Reaffirmed)
08 Jul 2021	Term Loan	Long Term	0.55	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	3.20	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	12.75	ACUITE A3 (Reaffirmed)
	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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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