



**Press Release**  
**P K CONSTRUCTION SHIMLA PRIVATE LIMITED**  
**March 25, 2025**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.73	ACUITE BB+   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	16.27	-	ACUITE A4+   Downgraded
Total Outstanding Quantum (Rs. Cr)	23.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to 'ACUITE BB+' (read as ACUITE double B plus) from 'ACUITE BBB-' (read as ACUITE triple B minus) and short-term rating to 'ACUITE A4+' (read as ACUITE A four plus) from 'ACUITE A3' (read as ACUITE A three) on Rs.23.00 crore of bank facilities of P K Construction Shimla Private Limited (PKCSPL). The outlook is revised from 'Negative' to 'Stable'.

**Rationale for rating**

The rating downgrade was on account of deterioration in operating performance including decline in revenues and profitability of PKCSPL due to delays in order execution. The rating continues to draw comfort from experienced management and long operational track record, steady order flow, moderate financial risk profile with adequate liquidity. The rating is however constrained by working capital intensive nature of operations, high geographical and clientele concentration in order book and inherent risks in tender based nature of business in an intensely competitive construction industry.

However, the revision in rating outlook considers the build-up of order pipeline as reflected by steady order book position of Rs 140.52 Cr. (unexecuted order book) as on January 31, 2025 which imparts comfortable revenue visibility over the medium terms which stands at ~2.11 times of the company's order inflow in the FY24.

**About the Company**

P K Construction Shimla Private Limited (PKCSPL), was established as a proprietorship concern in 1984 and reconstituted as a private limited company in 2016. The company is promoted by Mr. Pramod Kumar Sood and family. PKCSPL 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 PKCSPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

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

The company was 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 PKCSPL have 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. Acuité believes the company will benefit from its established presence, experienced management to sustain their business

in the near to medium term.

### **Comfortable financial risk profile**

The company's financial risk profile is marked by low net worth, low gearing, comfortable debt protection metrics. The tangible net worth stood at Rs. 28.05 Cr. as on March 31, 2024 as against Rs. 23.94 Cr. as on March 31, 2023 on account of accretion of reserves. The total debt of the company decreased to Rs 0.93 Cr. as on March 31, 2024 as against Rs. 4.52 Cr. as on March 31, 2023 on account of minimal utilisation of short term limits albeit increase in unsecured loan from Rs 0.05 Cr. as on March 31, 2023 to Rs 0.65 Cr. as on March 31, 2024. Based on that gearing (debt to equity) improved which stood at 0.03 times as on March 31, 2024 as against 0.19 times as on March 31, 2023. The debt protection matrices of the company are comfortable marked by Interest coverage ratio (ICR) of 8.75 times and debt service coverage ratio (DSCR) of 5.56 times for FY2024 as against 8.67 times and 5.31 times respectively for the FY 2023. The net cash accruals to total debt (NCA/TD) of the company has improved which stood at 4.77 times in FY2024 as against 1.01 times in the FY2023.

Acuité believes that the financial risk profile will continue to remain moderate on account of moderate cash accruals along with no major debt funded capex plans.

### **Weaknesses**

#### **Decline in operating scale albeit comfortable order book**

The company has reported revenues of Rs 66.34 Cr. in FY24 as against Rs 70.22 Cr. in FY23 reporting a decline of 5.53 percent on account of lower order execution. The deterioration in revenues further continued with company reporting revenues of Rs 35.05 Cr. in 10MFY25, with expected to close the revenues at Rs 50.00 Cr. in FY25. The operating margin of the company declined marginally and stood at 8.27 percent in FY24 as against 8.71 percent in FY23. However PAT margin of the company has improved which stood at 6.19 percent in FY24 as against 5.88 percent in FY23 on account of increase in non-operating income which mainly consist of interest income.

PKCSPL has an unexecuted order book of Rs 140.52 Cr. as on 31st Jan 25 compared to order book of Rs 39.10 Cr. as on 31st Oct 24. The substantial growth in order book is due to receipt of new orders worth of ~Rs 84.44 Cr. in the last 2 months, which are expected to be completed in the coming 2 years to 3 years. While the order book gives revenue visibility for the medium term, successful and timely completion of orders and subsequent booking of the revenues will remain as a key rating sensitivity.

#### **Working capital intensive operations**

PKCSPL's operations are working capital intensive marked by gross current assets (GCA) days at 120 days as on March 31, 2024 as against 114 days as on March 31, 2023. Elongated GCA days are driven by high debtor collection period, outstanding balance with government authority. Inventory days stood at 17 days as on March 31, 2024 as against 14 days as on March 31, 2023. The debtor days has improved which stood at 42 days as on March 31, 2024 as against 62 days as on March 31, 2023. Subsequently, the payable period stood at 120 days as on March 31, 2024 as against 96 days as on March 31, 2023. Further, the average bank limit utilization in the last ten months ended January 2025 remained at 16.74 percent for fund-based limits and 49.40 percent for non-fund-based limits. Acuité believes that the working capital operations of the company will remain intensive over the medium term based due to the nature of business.

#### **Highly Geographical and clientele concentration**

The company derives majority of revenue from government projects, limited to Himachal Pradesh thereby reflecting higher geographic concentration. Moreover, the unexecuted order book of the company is also geographically limited to state of Himachal Pradesh only. Further the major portion of order is being executed for Himachal Pradesh Public Works Department constituting to ~70 per cent of outstanding order book.

#### **Inherent risks in tender-based businesses and intense competition in the industry**

Intense competition from several players, and exposure to risks arising from dependence on tenders and geographical presence restricted to Himachal Pradesh, restrict PKCSPL's ability to scale up further. Growth in revenue and profitability depends on the company's ability to bid successfully and executes order within stipulated time frame.

### **Rating Sensitivities**

- Ability to continuously increase revenues and profitability
- Timely execution of order book without any delays
- Elongation of the working capital cycle
- Changes in the financial risk profile

### **Liquidity Position**

**Adequate**

The company's liquidity is adequate marked by steady net cash accruals of Rs.4.45 Cr. as on March 31, 2024 as against long term debt repayment of Rs.0.20 Cr. over the same period. The current ratio of the company stood at 1.60 times as on March 31, 2024 as against 1.22 times as on March 31, 2023. The average bank limit utilization in the last ten months ended January 2025 remained just at 16.74 percent for fund-based limits and 4.43 percent for non-fund based limits. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals as against minimal debt repayment obligation over the medium term.

**Outlook: Stable****Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	66.34	70.22
PAT	Rs. Cr.	4.11	4.13
PAT Margin	(%)	6.19	5.88
Total Debt/Tangible Net Worth	Times	0.03	0.19
PBDIT/Interest	Times	8.75	8.67

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

Not applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**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, Acuité 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2023	Bank Guarantee (BLR)	Short Term	12.75	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	3.20	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB-   Negative (Reaffirmed)
	Term Loan	Long Term	0.55	ACUITE BBB-   Negative (Reaffirmed)
06 Oct 2022	Bank Guarantee (BLR)	Short Term	12.75	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	3.20	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	6.50	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.55	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.75	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	25 Nov 2021	Not avl. / Not appl.	25 Nov 2026	0.23	Simple	ACUITE BB+   Stable   Downgraded   Negative to Stable ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.52	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )

## Contacts

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### About Acuité Ratings & Research

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