



## Rating Rationale

### P K Infratech

13 July 2018

Brickwork Ratings assigns 'BWR B/A4' for the Bank Loan Facilities of Rs.6 Crs of P K Infratech ('PKI' or 'the Firm')

#### Particulars

Facility *	Amount(Rs. Crs)	Tenure	Rating^
<b>Fund Based</b> CC	2.50*	Long Term	<b>BWR B</b> (Pronounced as BWR Single B) <b>Outlook: Stable</b>
<b>Non Fund Based</b> BG	3.50**	Short Term	
<b>Total</b>	<b>6.00</b> (INR Six Crore Only )		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*Proposed (Current sanctioned is Rs.2 crs)

\*\* Proposed (Current sanctioned is Rs.2.50 crs)

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial information for FY18, projected financials for FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the promoter's educational qualifications and support to the business. The rating, however, is constrained by overall weak financial risk profile of the firm, high concentration on govt. Contracts and high regulations on key input (Grit) in the business.

Going forward, the ability of the firm to improve its Net worth and liquidity, recover the loans given to partners and control its receivables would be the key rating sensitivities.

#### Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

#### Key Rating drivers

##### Credit strengths

- **Educated Promoters**

One of the partners, Mr. Gaurav Sharma is MBA in Marketing and other partner, Mr. Vishal Gaur is B.Tech in Civil Engineering. Further, Mr. Gaurav Sharma is partner in M/s O P Builder, which also deals in construction contracts and has helped M/s P K Infratech in getting works.

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## Credit Weaknesses

- **Overall Weak Financial Risk Profile**

TNW, Leverage and Current Ratio of the firm as on 31.03.2017 are 0.87, 1.74 and 0.96 respectively. Leverage is deteriorating to 2.07 during FY 2018 as per the provisional financials. Huge sums to the tune of Rs.1.13 crs are given as Loans and Advances to partners, due to which Net worth of the firm is effectively very low.

- **Highly regulated key input**

Single most key input in such construction activity is Grit, which is generated from mining river bed. River bed mining and other mining activities are highly regulated by state governments and other regulatory and statutory bodies. Any adversity on the supply side may hamper work implementation and create cost and time overrun.

- **High concentration on govt. contracts**

Successful implementation, completion and release of payments of work done on Govt. contracts are highly constrained by political issues. Any adversity on timely realization of payments of work done would stress liquidity of the firm and increase its working capital cycle.

## Rating Outlook: Stable

BWR believes PKI's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case of improvement in Net Worth base of the company, successful recovery of loans given to partners and infusion of those funds into real business and diversification of scope of the business. The rating outlook may be revised to 'Negative' in case of further deterioration in Net worth, leverage and Current Ratio of the firm.

## Background:

M/s P K Infratech, established on 24.05.2014, is a partnership firm with Mr. Gaurav Sharma, Mrs. Rajbala Sharma and Mr. Vishal Gaur as partners of the firm. Original Partnership Deed (unregistered) was first executed on 24.05.2014, amended on 01.07.2014 and further re-constituted on 14th July 2017. Registered office of the firm is at 70, Dehradun Road, Rishikesh.

The firm is engaged in the business of executing all types of construction works i.e Road, Bridge, Tunnel, Buildings, Dam, Power house, windmill etc) and Transportation, Stone Crusher, and Building Material supplier.

## Financial Performance

During FY17, PKI reported net revenues of Rs. 9.04 Crs and PAT of Rs.0.40 Crs as against net revenues of Rs.8.09 Crs and PAT of Rs.0.35 Crs in FY16. On a provisional basis, the Firm reported revenues of around Rs.8.55 Crs and PAT of Rs.0.65 crs for FY18.

Key financial indicators are furnished in Annexure II.

**Rating History for the last three years:**

Facility	Current Rating (July 2018)			Rating History		
	Type	Amount(Rs. Crs)	Rating	2017	2016	2015
<b>Fund Based</b> CC	Long Term	2.50	<b>BWR B</b> (Pronounced as BWR Single B)			
<b>Non Fund Based</b> BG	Short Term	3.50	<b>BWR A4</b> (Pronounced as BWR A Four) Outlook: Stable <b>Assigned</b>	N/A	N/A	N/A
<b>Total</b>		<b>6.00</b>	<b>INR Six crores only</b>			

Status of Non cooperation with other CRA : N.A

Any other information : Not applicable.

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)

Analytical Contacts	Media
<i>S K Gakhar</i> <i>Deputy General Manager- Ratings</i> <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	<b>Relationship Contact</b> <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**P K Infratech**

**Annexure I**

**Details of Rated Bank Facilities**

Bank	Facilities	Rated Amount (Rs Crs)
Andhra Bank, Rishikesh	<b>Fund Based</b> CC	2.50
	<b>Non Fund Based</b> BG	3.50
	<b>Total</b>	6.00

**Annexure II**  
**Key Financial Indicators**

Particulars	FY16	FY17
<b>Net Revenues</b> (Rs. Cr)	8.09	9.04
<b>EBITDA</b> (Rs. Cr)	0.77	0.95
<b>PAT</b> (Rs. Cr)	0.35	0.40
<b>Tangible Net Worth</b> (Rs. Cr)	0.58	0.87
<b>Total Debt:TNW</b> (Times)	2.11	1.74
<b>Current Ratio</b> (Times)	1.14	0.96

**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹ 48,803 Cr have been rated.

**DISCLAIMER**

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