

P N Dewalkar Construction

December 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.00 (Enhanced from 2.50)	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable
Short Term Bank Facilities	17.00 (Enhanced from 2.50)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the facilities of P N Dewalkar Construction (PNDC) are constrained by its small scale of operations, customer and supplier concentration risk, intensely competitive industry landscape owing to its fragmented nature and tender-driven nature of operations, and partnership nature of constitution. The ratings, however, derive strength from the experience of the promoters, improvement in profitability in FY24 (FY refers to the period from April 01 to March 31) and comfortable capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations with total operating income (TOI) being above Rs. 100 crore along with profit before interest, lease rentals, depreciation, and taxes (PBILDT) margins above 12% on a sustained basis
- Improvement in total outside liabilities/tangible net worth (TOL/TNW) metric below 1.25x on a sustained basis

Negative factors

- Decline in TOI below Rs. 30 crore or decline in PBILDT margin below 8% on a sustained basis
- Decline in TOL/TNW metric to above 3.00x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook assigned to the long-term ratings of PNDC factors the experience of the promoters in the industry and its ability to maintain its operational performance in the medium term supported by comfortable order book position.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations; albeit comfortable order book position

During FY24, the TOI of the firm stood at Rs. 46.45 crore, a slight improvement from FY23 at Rs. 45.60 crore. The increase of 186 bps is owing to sustained work order flow in FY24. The unexecuted orderbook of the firm stood at Rs. 97.02 crore as on October 31, 2024. The order book-to-sales ratio (FY24) stands at 2.09x which provides revenue visibility from near to medium term. It is to be noted that owing to pending approvals and clearances from the government there are execution delays in the current orderbook. Majority of the orderbook is concentrated in one state, i.e. Maharashtra.

Customer and supplier concentration risk

The firm is a contractor with the Public Works Department (PWD), Maharashtra. PNDC executes contracts of construction, maintenance, and improvement of rural roads, construction of government buildings, sewage tanks, canals etc., primarily in the state of Maharashtra. Reliance on select customers exposes the firm to concentration risk which could potentially impact its bargaining power to secure favourable trading terms. In FY24, the top five clients contributed approximately 83% of total revenue which was approximately the same in FY23. The firm's top five suppliers accounted for roughly 59% of total purchases in FY24 compared to 67% in FY23. Concentration of suppliers exposes the firm to service disruptions and price hikes. Diversification of supplier base and of its clientele remains critical for the firm's credit profile.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Intensely competitive industry landscape owing to its fragmented nature and tender-driven nature of operations

The construction industry is fragmented in nature with a large number of small and medium scale players present at regional level. This coupled with the tender-driven nature of contracts poses huge competition and puts pressure on the profit margins of the participants. PNDC is a regional player with civil and structural works contracts primarily concentrated towards government entities. Furthermore, PNDC faces fierce competition from other players for new orders.

Constitution as partnership firm

Being a partnership firm, PNDC has inherent risk of withdrawal of partner's capital at the time of personal contingency. It restricts access to external borrowings where net worth and partners' creditworthiness are the key factors affecting credit decision of the lender. Hence, limited funding avenues and limited financial flexibility restricts growth in the firm's scale of operations.

Key strengths

Experienced promoters

The partners of the firm have over 3-4 decades of experience in the construction industry. Mr. Subhash Dewalkar, partner, has a degree in engineering and has been working in the industry since 1986. He overlooks civil works contracts largely from the Public Works Department (PWD). Mr. Prakash Dewalkar, partner, has a master's degree in commerce, and has been involved in this industry since 1982. He overlooks the irrigation works contracts.

Improvement in profitability margin

PBILDT margins improved 133 bps in FY24 to 10.23% compared to 8.90% in FY23. The improvement in margins is owing to execution of higher margin yielding contracts. The past three-year PBILDT margin average is 9.54%.

Comfortable capital structure

The firm's capital structure remains comfortable with improvement in overall gearing ratio to 1.00x as of March 31, 2024, compared to 1.27x as on March 31, 2023. The firm avails extended credit period from its suppliers resulting in TOL/TNW of 2.20x as on March 31, 2024 (PY: 2.77x). Going forward, timely payment to creditors and improvement in TOL/TNW remain key monitorable from credit perspective.

Liquidity: Stretched

The working capital requirement are met by overdraft, bank guarantee limits and extended credit period from creditors. Average utilization ranges between 70-90% for overdraft and 90% for bank guarantee facility for the trailing twelve months ended November 30, 2024. The average collection period increased to 59 days in FY24 compared to 55 days in FY23. PNDC's gross current asset (GCA) days increased to 205 days in FY24 compared to 140 days in FY23. The firm's gross cash accruals remained stable at Rs. 3.79 crore in FY24 compared Rs. 3.53 crore in FY23.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short term instrument](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

PNDC is Nagpur-based partnership firm formed in October 2005 by Mr. Subhash Dewalkar and Mr Prakash Dewalkar. The firm is a contractor with Public Works Department (PWD), Maharashtra and is engaged in the construction of government buildings, canals, sewage tanks etc. The firm is also engaged in the construction, maintenance, improvement and widening of roads in rural area of Maharashtra under Pradhan Mantri Gram Sadak Yojna (PMGSY) for PWD, Nagpur. Further, the firm also gives contracts on sub-contract basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	45.60	46.45
PBILDT	4.06	4.75
PAT	2.50	2.60
Overall gearing (times)	1.27	1.00
Interest coverage (times)	3.92	3.29

A: Audited Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	8.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	17.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Bank Overdraft	LT	8.00	CARE BB; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (15-Sep-23)	1)CARE B; Stable; ISSUER NOT COOPERATING * (02-Aug-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (01-Jun-21)
2	Non-fund-based - ST-Bank Guarantee	ST	17.00	CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING * (15-Sep-23)	1)CARE A4; ISSUER NOT COOPERATING * (02-Aug-22)	1)CARE A4; ISSUER NOT COOPERATING * (01-Jun-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated: Not applicable

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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