

P K CONSTRUCTION

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.00	CARE B; Stable	Assigned
Long Term / Short Term Bank Facilities	3.00	CARE B; Stable / CARE A4	Assigned
Short Term Bank Facilities	19.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of P K Construction (PKC) are constrained on account of modest scale of operations, moderate profitability, low net worth base and weak debt coverage indicators. The ratings further continue to be constrained by highly competitive industry due to fragmented and tender driven nature of business and constitution of the entity being a partnership firm.

The ratings however continue to derive strength from established track record and wide experience of promoters and moderate orderbook position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation above Rs.50 crore with PBILDT margin above 8% on sustained basis.
- Improvement in overall gearing below unity on sustained basis.

Negative factors

- Deterioration in Total debt/ GCA above 4.50x on sustained basis.
- Deterioration in TOL/TNW above 3.50x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook on the rating reflects CARE Ratings Limited's (CARE Ratings') expectation that PKC will continue to benefit from its long track record and experienced and resourceful partners.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations

Despite an established track record of around four decades, the firms' scale of operations remained modest. TOI witnessed moderate compounded annual growth rate (CAGR) of 11.09% for last five years ending FY24 (refers to period April 1 to March 31). PKC achieved total operating income (TOI) of Rs.36.71 crore in FY24, compared to Rs.35.96 crore in FY23. PKC reported TOI of Rs.17.90 crore during H1FY25 (refers to April 1 to September 30).

Moderate profitability

PKCs' profitability remained moderate over the past marked by PBILDT margin in the range 6-9% and PAT margin of around 3-5%. In FY24, the PBILDT margin improved to 8.82%, up from 6.27% in FY23, driven by reduction in raw material cost, and decline in labour and fuel expenses. Similarly PAT margin also improved in line with PBILDT margin by 40 basis points to 5.12% in FY24, compared to 4.72% in FY23.

Moderate capital structure and weak debt coverage indicators

The firm's capital structure remained moderate marked by overall gearing of 1.22x as on March 31, 2024, compared to 1.18x as on March 31, 2023. Net worth remained low at Rs.7.21 crore as on March 31, 2024 (Rs.6.99 crore as on March 31, 2023).

Debt coverage indicators remained weak marked by total debt to gross cash accruals (TDGCA) of 3.51x in FY24 compared to 4.00x in FY23. Interest coverage indicator remained at 2.83x (PY: 5.48x) as on March 31, 2024.

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

Highly competitive industry because of fragmented and tender driven nature of business

The construction industry is fragmented in nature with a large number of 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 players.

Constitution of entity being partnership firm

PKC was established as a partnership concern, giving rise to the risk of withdrawal of capital by partners during personal contingencies. In FY24, partners withdrew Rs.1.66 crore (Rs.1.23 crore during FY23) leading to low net worth base of the firm. Additionally, the firm has restricted access to external borrowings, as the net worth and creditworthiness of the partners play a crucial role in lenders' credit decisions. As a result, the firm has limited funding options and financial flexibility, which has contributed to its small scale of operations.

Key strengths**Established track record and wide experience of partners**

PKC has a track record of around four decades which has enabled it to establish good relationship with labour contractors and the material suppliers resulting in smooth execution of projects and regular receipt of orders from them. The firm is promoted by the Panwelkar family of Nagpur. The partners have an average experience of more than 20 years. Being in the industry for so long has helped the promoters in gaining adequate acumen about the business.

Moderate Orderbook position

PKC is registered contractor with Public Works Department (PWD), Maharashtra. The firm executes orders only for government authorities and has built strong, established relationships. As on January 28, 2025, PKC has an outstanding order book position of Rs.51.75 crore to be executed over a period of 1-2 years thus providing medium term revenue visibility. Also, majority of orders contain price escalation clause supporting the profitability margins under instance of increase in cost of raw materials. Timely execution of these projects would be critical for maintaining adequate cash flows.

Liquidity: Stretched

Liquidity of the firm is stretched marked by expected gross cash accruals of Rs.2.00-2.20 crores in FY25 against a principal repayment of Rs.0.87 crores in FY25. Net cash flow from operations remained positive at Rs.0.79 crore as on March 31, 2024. Additionally, operations remain working capital intensive, with funds tied up in receivables and inventory (including retention money and security deposits). Working capital limits were almost fully utilised during last 12 months, ending February 28, 2025. Cash and bank balance of the firm was Rs.1.13 crore as on March 31, 2024.

Assumptions/Covenants: Not applicable**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 Sector](#)[Infrastructure Sector Ratings](#)[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Incorporated in 1985, P K Construction is a partnership firm based in Nagpur, Maharashtra, fully operated by the Panwelkar family. The firm specializes in civil construction, including the building of roads, canals, and bridges. It is also recognized as authorised contractor by the Public Works Department (PWD) of Maharashtra, undertaking government projects. The firm executes orders only for government authorities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	35.96	36.71	17.90
PBILDT	2.25	3.24	NA
PAT	1.70	1.88	NA
Overall gearing (times)	1.18	1.22	NA
Interest coverage (times)	5.48	2.83	NA

A: Audited UA: Unaudited; NA: Not Available; 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 instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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-Cash Credit		-	-	-	4.00	CARE B; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	3.00	CARE B; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	19.00	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-Cash Credit	LT	4.00	CARE B; Stable				
2	Non-fund-based - ST-Bank Guarantee	ST	19.00	CARE A4				
3	Fund-based/Non-fund-based-LT/ST	LT/ST	3.00	CARE B; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

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

Annexure-5: Lender details

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

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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About us:

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