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ICRA assigns LBB and A4 ratings to bank facilities of Prabhu Dayal Kanojiya

ICRA has assigned a long term rating of LBB (pronounced as L double B) to the Rs. 120 million fund based facilities of Prabhu Dayal Kanojiya (PDK) †. The rating carries a stable outlook. ICRA has also assigned a short term rating of A4 (pronounced as A four) to the Rs. 230 million non-fund based facilities of PDK.†

ICRA's ratings factor in the intensely competitive nature of the construction industry and PDK's modest scale of operations, which result in limited economies of scale and restrict the firm's ability to bid for large sized projects. The assigned ratings are also constrained by PDK's highly leveraged capital structure (gearing of 4.09 times as on 31st March, 2009), which coupled with its moderate profitability has resulted in average debt protection metrics. The ratings however draw comfort from the experience of the promoter in the construction business; PDK's reputed client base and the positive demand outlook for the civil construction industry, driven by increased infrastructure activity in the country.

Firm Profile:

Prabhu Dayal Kanojiya (PDK) is a sole proprietorship firm engaged in executing civil and structural works largely for sewage treatment plants and drainage systems. The business was started by Mr. Prabhu Dayal Kanojiya in 1972 and currently the operations of the firm are being managed by him and his son Mr. Ramesh Kanojiya. The firm is registered as a 'Class AA' contractor with the Public Works Department (PWD) Rajasthan and Rajasthan Housing Board (RHB) and has executed various projects in Rajasthan in the past. Currently, PDK is engaged in executing projects across the states of Rajasthan, Jammu & Kashmir and Delhi.

In FY 2009 the firm reported revenues of Rs. 175.6 million and Profit before Tax of Rs. 10.49 million.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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