PSK Infrastructure and Projects Private Limited

Instrument	Amount in Rs crore	Rating Action
Fund Based Limit - Cash Credit	15.00 (revised from 10.00)	[ICRA]BBB-(Stable); upgraded
Non Fund Based Limit - Bank Guarantee	95.00 (revised from 60.00)	[ICRA]BBB-(Stable); upgraded

ICRA has upgraded the rating assigned to the Rs. 15.00 crore[*] (revised from Rs. 10.00 crore) fund based facilities and of Rs. 95.00 crore (revised from Rs. 60.00 crore) non-fund based facilities PSK Infrastructure and Projects Private Limited (PSKIPPL)[†] to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BB+ (pronounced ICRA double B plus). The outlook on the long term rating is 'Stable'.

The rating upgrade takes into account healthy growth in operating income of the company by 147% in FY15 to Rs 276.79 crore owing to progress in slow moving orders as well as receipt and execution of new orders; strong order book position of Rs. 425 crore providing revenue visibility in the near term; and improvement in liquidity position of the company as indicated by moderate utilization of working capital limits backed by decrease in debtor days. The rating continues to factor in the extensive experience of promoters in execution of road projects and strong client profile of the order book including players such as National Highway Authority of India, KNR Constructions Limited, Trichy Tollway Private Limited and others. ICRA notes that the company will benefit from the government impetus on road construction activities which provides favourable growth prospects for road construction players.

The rating is however constrained by the dip in operating margin of the company from 9.75% in FY14 to 7.41% in FY15; high project concentration of the order book with 52% of the order book accounted by a single order; and high sector concentration risk on account of its presence in road sector only. The ratings are further constrained by the moderate financial profile of the company characterised by gearing of 0.29 times as on 31st March, 2015, interest coverage ratio of 5.05 times, net cash accruals-to-total debt of 62% for FY2015 and moderate working capital intensity of 16% as on 31st March, 2015 owing to moderate debtor days.

Going forward, the ability of the company to execute its existing order book as well as to receive and execute new orders while managing its receivables position and maintaining profitability margins will be the key rating sensitivities from credit perspective.

Company Profile

PSK Infrastructures & Projects Private Limited (PSKIPPL) was started as a proprietorship concern in 1979 and was incorporated as a private limited company in April, 2013. The company is promoted by Mr. P. Sudhakar and family. The company was earlier involved in execution of irrigation projects for Andhra Pradesh government. From 2000, the company started executing road projects alongside the irrigation projects. From 2005 onwards, the company shifted its focus completely towards execution of road projects. The scope of work done by the company includes construction of 4 lane road, strengthening or road widening and upgrading 4 lane roads to 6 lane roads, overlaying works, special repair works which includes relaying and re-carpeting of the roads and is carried out every 5 years. The company has carried out projects directly for National Highway Authority of India as well as for projects assigned by NHAI to companies such as IVRCL Ltd, GMR Infrastructure Ltd, KNR Constructions Limited, SEW Infrastructure Ltd and Gammon Infrastructure Projects Ltd.

[*] 100 lakh = 1 crore = 10 million

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

Recent Results

According to provisional FY15 financials, the company recorded an operating income of Rs 276.79 crore with operating profit of Rs 20.52 crore and net profit of Rs. 8.19 crore as compared to an operating income of Rs.112.17 crore with operating profit of Rs. 10.93 crore and net profit of Rs. 2.25 crore in FY14.

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