

Press Release

Park Controls and Communication Private Limited (PCCPL)

06 April, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 19.80 Cr.
Long Term Rating	SMERA B/ Stable (Downgraded from SMERA BB-/Stable)
Short Term Rating	SMERA A4 (Downgraded from SMERA A4+)

**Refer annexure for details*

SMERA has downgraded the long term rating from '**SMERA BB-' (read as SMERA double B minus)**' to '**SMERA B' (read as SMERA B)**' and the short term rating from '**SMERA A4+' (read as SMERA A four plus)**' to '**SMERA A4' (read as SMERA A four)**' on the Rs.19.80 crore bank facilities of PCCPL. The outlook is '**Stable**'.

The downgrade is in view of significant fall in revenues along with profitability margins of the firm and deterioration of PCCPL's working capital operations.

Key rating drivers

Strengths

Experienced management and long track record of operations

PCCPL was incorporated in 1989 by Mr. M.P. Sastri and Mr. PJB Noble who possess collective experience of over two decades in catering to the defence and aerospace domains providing end-to-end data acquisition solutions for airborne and ground based applications.

Reputed clientele

The company has healthy relations with customers and suppliers. PCCPL supplies goods to Indian Space and Research Organization (ISRO), DRDO, Electronics Corporation of India Limited (ECIL) to name a few.

Weaknesses

Working capital intensive operations

The working capital cycle is intensive marked by high Gross Current Asset (GCA) days of 611 in FY2017 as compared to 352 in FY2016. The GCA days are mainly dominated by debtor days of 314 in FY2017 as compared to 110 in FY2016. The inventory days stood at 272 in FY2017 as against 233 in FY2016.

Tender driven business and falling revenue profile

Since the nature of business is largely tender-based, the revenue is susceptible to the winner of tenders floated by government organizations. However, the promoter's experience and relationship with clientele, partially mitigates this risk. The company registered modest operating revenue of Rs.16.42 crore in FY2017 as against Rs.21.17 crore in FY2016 and Rs.14.32 crore in FY2015. Further, the company registered low operating margins of 1.29 percent in FY2017 as against 7.33 percent in FY2016.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PCCPL to arrive at the rating.

Outlook – Stable

SMERA believes that the company will maintain a 'Stable' outlook owing to its experienced management, long track record of operations and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.42	21.17	14.32
EBITDA	Rs. Cr.	0.21	1.55	2.27
PAT	Rs. Cr.	0.41	0.56	0.43
EBITDA Margin	(%)	1.29	7.33	15.83
PAT Margin	(%)	2.50	2.63	3.00
ROCE	(%)	10.34	9.21	12.96
Total Debt/Tangible Net Worth	Times	0.94	0.83	1.20
PBDIT/Interest	Times	1.52	1.49	1.40
Total Debt/PBDIT	Times	4.22	4.01	3.91
Gross Current Assets (Days)	Days	611	352	817

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Sevicr Entities - <https://www.smera.in/criteria-service.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
01-Feb-2017	Cash Credit	Long Term	7.20	SMERA BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.50	SMERA A4+ / Stable (Reaffirmed)
	Letter of credit	Short Term	3.10	SMERA A4+ / Stable (Reaffirmed)
13-Aug-2015	Cash Credit	Long Term	7.20	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	9.50	SMERA A4+ / Stable (Assigned)
	Letter of credit	Short Term	3.10	SMERA A4+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.20	SMERA B / Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA A4 (Downgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.10	SMERA A4 (Downgraded)

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ABOUT SMERA

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