

## Press Release

**Park Controls and Communication Private Limited (PCCPL)**

06 April, 2018



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 19.80 Cr.
<b>Long Term Rating</b>	SMERA B/ Stable (Downgraded from SMERA BB-/Stable)
<b>Short Term Rating</b>	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>
- Sevicer 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)

### Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Amogh Kharkar, Analyst - Rating Operations Tel: +91-22-6714 1315 <a href="mailto:amogh.kharkar@smera.in">amogh.kharkar@smera.in</a>	

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

***Disclaimer:*** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.