Acuite
RATINGS & RESEARCH

Press Release

Park Controls and Communication Private Limited

January 18, 2021

Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs.19.80 Cr.
Long Term Rating	ACUITE B+/Outlook: Stable (Upgraded from ACUITE B)
Short Term Rating	ACUITE A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long term rating to **'ACUITE B+' (read as ACUITE B plus)** from 'ACUITE B' **(read as ACUITE B)** and has reaffirmed the short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs.19.80 crore bank facilities of Park Controls and Communication Private Limited (PCC). The outlook is **'Stable'**.

Reason for upgrade

The rating is upgraded on account of improvement in scale of operations and profitability margin of the company. The operating income of the company stood improved at Rs.16.61 crore in FY2020 as against Rs.14.46 crore in FY2019. Further, the company has registered revenue of Rs.7.11 crore till 8MFY2021. The company's operating margin improved and stood at 13.04 percent in FY2020 as against 11.74 percent in FY2019. PAT margin also improved and stood at 1.28 percent in FY2020 as against 0.85 percent in FY2019. Also, the company has a healthy order book of Rs.90.00 crore. Acuité believes going ahead the company is likely to sustain its growth over the medium term.

About Company

Park Controls and Communication Private Limited (PCC) is a Bangalore-based company, incorporated in the year 1989. It is promoted by Mr. M.P. Sastri and Mr. PJB Noble. The company is engaged in providing customized and exclusive requirements in the Defense, Space and Aerospace domains with End to End Data Acquisition Solutions for Airborne and Ground based Applications particularly specializing in PCM Telemetry, Timing and Control products and design services. The company caters mainly to Indian Space and Research Organization (ISRO), DRDO, Electronics Corporation of India Limited (ECIL), Hindustan Aeronautics Limited (HAL), and Indian Airforce, among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PCC to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experience management**
  PCC was incorporated in year 1989 and has an established presence of over three decades. The company is promoted 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.
  Acuité believes that the company will continue to benefit the partners' experience and its established presence in the industry, improving its business risk profile over the medium term.

- **Reputed clientele**
  PCC has stable business risk profile with geographically diversified and reputed customer base. Also, the company has established and long-term relationship with the customers including Indian Space and

Research Organization (ISRO), DRDO, Electronics Corporation of India Limited (ECIL), Hindustan Aeronautics Limited (HAL), Electronics & Radar Development Establishment (ERDE) and Indian Airforce among others.

Weaknesses

- **Average financial risk profile**

  PCC financial risk profile is marked by moderate net worth, gearing (debt-equity) and average debt protection metrics. The tangible net worth of the company stood at Rs.10.09 crore as on 31 March, 2020 as against Rs.9.88 crore as on 31 March, 2019. The total debt of Rs.14.24 crore as on 31 March, 2020 consist of long term debt of Rs.1.44 crore, unsecured loans from promoters of Rs.3.22 crore and short term borrowing of Rs.9.59 crore. The gearing (debt-equity) stood at 1.41 times as on 31 March, 2020 as compared to 1.19 times as on 31 March, 2019. The Interest Coverage Ratio stood at 1.23 times for FY2020 as against 1.32 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.80 times as on 31 March, 2020 as against 2.49 times as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.02 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.74 times in FY2020 as against 1.21 times in FY2019. Acuité believes that the financial risk profile of PCC will continue to remain average over the medium term in the absence of any major debt-funded capital expenditure.

- **Intensive working capital cycle**

  The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 680 days in FY2020 and 710 days in FY2019. The receivable days stood at 252 days in FY2020 as against 267 days in FY2019. The inventory days stood at 456 days in FY2020 as against 471 days in FY2019. The average bank limit utilization remained fully utilized for the past 8 months ending November 2020. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **Tender based nature of operations**

  Majority of the revenue is derived from government tenders. PCC faces competition in bidding for government tenders and procurement of contracts during the downturn presents a major challenge for the company.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

PCC has stretched liquidity marked by low net cash accruals and high bank limit utilization. The company generated cash accruals of Rs.0.20-0.40 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.27-1.10 crore over the same period. The company's working capital operation is intensive marked by Gross Current Asset (GCA) of 680 days in FY2020 as against 710 days in FY2019. The company maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2020. The current ratio of the company stands healthy at 1.33 times as on March 31, 2020. The average bank limit utilization remained fully utilized for the last 8 months ending November 2020.

Outlook: Stable

Acuité believes that PCC will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	16.61	14.46
PAT	Rs. Cr.	0.21	0.12
PAT Margin	(%)	1.28	0.85
Total Debt/Tangible Net Worth	Times	1.41	1.19
PBDIT/Interest	Times	1.23	1.32

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Sept-2020	Cash Credit	Long Term	7.2	ACUITE B Issuer not Cooperating*
	Letter of Credit	Short Term	3.1	ACUITE A4 Issuer not Cooperating*
	Bank Guarantee	Short Term	9.5	ACUITE A4 Issuer not Cooperating*
20-Jun-2019	Cash Credit	Long Term	7.2	ACUITE B Issuer not Cooperating*
	Letter of Credit	Short Term	3.1	ACUITE A4 Issuer not Cooperating*
	Bank Guarantee	Short Term	9.5	ACUITE A4 Issuer not Cooperating*
06-Apr-2018	Cash Credit	Long Term	7.2	ACUITE B/Stable (Downgraded)
	Letter of Credit	Short Term	3.1	ACUITE A4 (Downgraded)
	Bank Guarantee	Short Term	9.5	ACUITE A4 (Downgraded)

**The issuer did not co-operate; based on best available information.*

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE B+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B+/Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.