

Press Release

Park Controls and Communication Private Limited

May 10, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs.19.80 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.19.80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 rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

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

Acuite 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.

Acuite 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. Acuite 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. Acuite 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.

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
18-Jan-2021	Cash Credit	Long Term	9.00	ACUITE B+/Stable (Upgraded)
	Bank Guarantee	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.80	ACUITE B+/Stable (Upgraded)
08-Sept-2020	Cash Credit	Long Term	7.20	ACUITE B Issuer not Cooperating*
	Letter of Credit	Short Term	3.10	ACUITE A4 Issuer not Cooperating*
	Bank Guarantee	Short Term	9.50	ACUITE A4 Issuer not Cooperating*
20-Jun-2019	Cash Credit	Long Term	7.20	ACUITE B Issuer not Cooperating*
	Letter of Credit	Short Term	3.10	ACUITE A4 Issuer not Cooperating*
	Bank Guarantee	Short Term	9.50	ACUITE A4 Issuer not Cooperating*

*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+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE B+ (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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