

Press Release

Parkash & Company

February 28, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4** (read as SMERA A four) on the Rs. 25.00 crore bank facilities of Parkash & Company. The outlook is '**Stable**'.

Parkash & Company (Parkash), a Delhi-based proprietorship firm, was established in 1990 by Mr. Dharam Parkash Tanwar. Parkash undertakes civil construction work for government organisations such as U.P Electricity Board, MTNL and Greater Noida Industrial Development Authorities.

Key Rating Drivers

Strengths

• Experienced promoters

The proprietor of the firm, Mr. Dharam Parkash has more than three decades of experience in the civil construction business.

• Moderate financial risk profile

The financial risk profile is marked by moderate gearing of 1.87 times in FY2015-16 as against 2.34 times in FY2014-15. The operating margin stood at 6.84 per cent in FY2015-16 as against 9.02 per cent in FY2014-15. Further, the net profit margin stood at 1.90 per cent in FY2015-16 as against 2.40 per cent a year earlier. The ROCE has been moderate at 18.64 per cent in FY2015-16 as against 18.25 per cent a year earlier. The coverage ratio stood at 1.20 times for FY2015-16 as against 1.19 times for FY2014-15.

Weaknesses

• Moderate scale of operations

The operations are modest marked by operating income of Rs.74.93 cr in FY2015-16 as against Rs.58.69 cr a year earlier. Further, the firm has reported sales of approximately Rs.43 cr till December 2016.

• Dependence on government orders

The firm is highly dependent on government orders and executes construction work only for state government organisations. As a result, project execution delays could lead to higher working capital requirements.

Analytical Approach

SMERA has consolidated the financials of Parkash & Company and Surya & Company.

Outlook: Stable

SMERA believes that the group will maintain a stable outlook owing to the extensive experience of the

management and established relationships of the firm with customers. The outlook may be revised to Positive in case of sustained increase in revenues and accruals while managing profitability. Conversely, the outlook may be revised to Negative in case of significant decline in revenues and accruals.

About the Rated Entity - Key Financials

Parkash & Company, a Delhi-based proprietorship firm, was established in 1990 by Mr. Dharam Parkash Tanwar. The firm undertakes civil construction work such as construction of gas pipe lines, laying of cables, telephone network, construction of electric sub-station for government organisations. In FY2015-16 the group achieved operating income of Rs.74.93 cr and Profit After Tax (PAT) of Rs.1.43 cr as compared to operating income of Rs.58.69 cr and PAT of Rs.1.41 cr a year earlier. The net worth of the group stood at Rs.10.79 cr in FY2015-16 as compared to Rs.9.04 cr a year earlier. The Net worth in FY2015-16 includes quasi equity of Rs.7.37 cr.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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
20-Oct-2015	Cash Credit	Long Term	INR 10 CR	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 7.5 CR	SMERA A4
	Letter of Credit	Short Term	INR 7.5 CR	SMERA A4

*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	10.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4

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Analytical

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ABOUT SMERA

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