

May 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Bank Guarantee	9.00	SMERA A4+ (Reaffirmed)

SMERA has downgraded the long-term rating to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA BB**' (read as **SMERA double B**) and reaffirmed the short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.14.00 crore bank facilities of C. Parkashan & Co. (CPC). The outlook is '**Stable**'.

The downgrade reflects significant deterioration in its financial risk profile on account of decline in revenue and profitability. The ratings are constrained by the firm's small scale of operation and intense competition in the civil construction industry. However, the ratings draw support from the established operations and experienced management.

Update

CPC has achieved operating income of Rs.8.32 crore in FY2015-16 (Provisional) a declined from Rs.23.74 crore in FY2014-15. The firm's moderate financial risk profile is marked by small scale of operations with revenue of Rs. 23.74 crore, low gearing (debt-to-equity) of 0.26 times as on March 31, 2015 and low liquidity profile (14.31 per cent bank limit utilised during the period October 2015 to March 2016). Moreover, the interest coverage ratio stood at 5.33 times in FY2014-15. The firm registered PAT margin of 6.88 per cent in FY2014-15 as against 5.68 per cent in FY2013-14. CPC operates in an intensely competitive segment of the civil construction industry.

Outlook: Stable

SMERA believes CPC will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and profitability while maintaining strong debt protection metrics. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

Rating Sensitivity Factors

- Increasing scale of operations while maintaining profitability and capital structure
- Being eligible for large sized government tenders

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About the Firm

CPC, a civil construction firm was promoted by Mr. Suraj Bhan Goel in 1974. The firm undertakes Engineering, Procurement and Construction (EPC) contracts mainly for the Public Works Department (PWD), Municipal Corporation of Delhi (MCD), Delhi and NCR region for construction and maintenance of roads. The firm is managed by Mr. Chand Prakash Goel (son of Mr. S.B. Goel) and Mr. Sachin Goel (son of Mr. C.P. Goel).

For FY2014–15, the firm reported profit after tax (PAT) of Rs.1.63 crore on operating income of Rs.23.74 crore, as compared with profit after tax (PAT) of Rs.1.76 crore on operating income of Rs.31.01 crore in FY2013–14. The net worth stood at Rs.10.91 crore as on March 31, 2015 against Rs.10.39 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91 9892306888 Email: suman.m@smera.in Web: www.smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in