

Press Release

C. Parkashan & Co.

March 17, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	SMERA BB-/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating to '**SMERA BB-**' (read as SMERA double B minus) and reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 15.00 crore bank facilities of C Parkashan & Company (CPC). The outlook is '**Stable**'.

C Parkashan and Company (CPC), a civil construction firm was established 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 led by Mr. Chand Prakash Goel (son of Mr. S.B. Goel) and Mr. Sachin Goel (son of Mr. C.P. Goel).

List of key rating drivers and their detailed description:

Strengths

Established track record of operations and experienced promoters: CPC, an EPC firm was established by Mr. Suraj Bhan Goel in 1974. It is led by Mr. Chand Prakash Goel (son of Mr. S.B. Goel) and Mr. Sachin Goel (son of Mr. C.P. Goel). Mr. C P Goel has around 30 years of experience in the said business while Mr. Sachin Goel has about 15 years of experience.

Long association with government agencies: The firm has executed projects for PWD, Municipal Corporation, Delhi and various other local government bodies. Being government entities, the counter-party default risk remains minimal. Although, risk associated with delayed payment exists, the extensive experience of the management has helped the firm collect payments within 30-40 days from work certification, forge long-standing relations with clients and timely execution of projects.

Healthy financial risk profile: CPC has a healthy financial risk profile. The gearing stood at 0.27 times as on 31 March, 2017 compared to 0.09 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings. CPC has healthy coverage indicators with interest coverage ratio (ICR) of 6.29 times in FY2017 and 5.73 times in FY2016. The networth stood at a moderate Rs.12.01 crore as on 31 March, 2017 as against Rs.10.66 crore as on 31 March, 2016. The operating margins are healthy at 7.93 percent in FY2016-17 and 13.51 percent in FY2015-16. The PAT margin stood at a healthy 4.68 percent in FY2016-17 and 6.25 times in FY2015-16.

Weaknesses

Small scale of operations due to tender based business: The scales of operations are at a modest level, despite the firm being in the construction business for the last 40 years. The firm registered

operating income of Rs. 27.69 crore in FY2016-17 and Rs. 7.26 crore in FY2015-16. Being a civil contractor, the revenue of CPC depends on the number of successful bids and tenders released in the financial year.

Competitive and fragmented industry: The civil construction industry is marked by the presence of several mid to big sized players. The firm faces intense competition from other players in the sector. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been operating in the industry for the last 40 years.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of CPC to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that CPC will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity: Key financials

	Unit	FY17 (Prov.)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.69	7.26	23.74
EBITDA	Rs. Cr.	27.69	7.26	23.74
PAT	Rs. Cr.	1.30	0.45	1.63
EBITDA Margin	(%)	7.93	13.51	11.09
PAT Margin	(%)	4.68	6.25	6.88
ROCE	(%)	12.40	5.21	14.86
Total Debt/Tangible Net Worth	Times	0.27	0.09	0.26
PBDIT/Interest	Times	6.29	5.73	5.33
Total Debt/PBDIT	Times	1.37	0.84	1.03
Gross Current Assets (Days)	Days	126	335	112

***FY2017 figures are Provisionals

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook

	Cash credit	Long term	5.00	SMERA BB-/ Stable (Downgraded)
17 May, 2016	Bank Guarantee	Short term	9.00	SMERA BB/ Stable (Reaffirmed)
	Cash credit	Long term	5.00	SMERA BB/Stable (Assigned)
17 April, 2015	Bank Guarantee	Short term	9.00	SMERA A4+ (Assigned)

***Annexure – Details of instrument rated**

Name of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (Rs. Cr)	Rating/Outlook
Cash credit	NA	NA	NA	5.00	SMERA BB-/Stable (Reaffirmed)
Bank Guarantee	NA	NA	NA	10.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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