

Press Release

16 February, 2018

Paltech Cooling Towers & Equipments Limited (Paltech)

Rating Downgraded & Reaffirmed



Total Bank Facilities Rated *	Rs. 28.00 cr
Long Term Rating	SMERA C (Downgraded from SMERA BB- /Outlook: Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating to '**SMERA C**' (read as **SMERA C**) from '**SMERA BB-**' (read as **SMERA double B minus**) and reaffirmed the long-term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.28.00 crore bank facilities of Paltech Cooling Towers & Equipments Limited (Paltech). The outlook is 'Stable'.

This Haryana-based company was incorporated in 1986 by Mr H P Yadav. The company is involved in the production of cooling towers, water treatment systems and chilling plants for government and non-government entities in the domestic and overseas markets. It has three manufacturing units in Mewat district, Haryana. Paltech is a member of the Cooling Technology Institute (CTI), USA and is ISO 9001:2008, ISO 14001:2004 and OHSAS18001:2007 certified.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Mr. HP Yadav, MD and CEO, is a mechanical engineer and has more than three decades of experience in the above mentioned line of business.

Reputed Clientele

Its long standing presence in the cooling tower industry has ensured a healthy association with customers and suppliers. The company caters to reputed companies like NTPC-Kanti Bijli Utpadan Nigam Limited (Bihar), ITC Limited (Andhra Pradesh), Rungta Mines Limited (Odisha), Hindustan Zinc Limited (Rajasthan), Punjab Biomass Power Limited (Punjab), IOCL (Mathura, UP) among others.

Weaknesses

Delays in debt servicing

Delays were observed in the last three months with regards to repayment of debt due to a stretched liquidity position.

Average financial risk profile

SMERA Ratings Limited

Paltech has an average financial risk profile, marked by net worth of Rs.20.34 crore as on March 31, 2017, compared to Rs.20.91 crore as on March 31, 2016. The company has reduced its unsecured loans to Rs.2.97 crore as on March 31, 2017 from Rs.4.45 crore in March 31, 2016. The gearing stood at 1.24 times as on March 31, 2017 compared to 1.10 times as on March 31, 2016. Total debt of Rs.25.18 crore as on March 31, 2017 comprises long term debt of Rs.5.54 crore, unsecured loans from directors of Rs.4.15 crore and short term working capital funds of Rs.15.49 crore. The interest coverage ratio stood at 1.39 times in FY2016-17 compared 1.56 times in FY2015-16. DSCR stood at 1.05 times in FY2016-17 compared to 0.89 times in FY2015-16. The company needs to generate adequate cash flows to repay its debt obligation of Rs.2.53 crore in FY2017-18.

Working capital intensive operation and stretched liquidity

Its operations are working capital intensive, marked by high gross current asset (GCA) of 700 days as on 31st March 2017 (PY: 507 days). The high GCA days emanate from the high inventory holding period and high debtor days of 522 and 127 respectively in FY2016-17 (PY: 302 days and 135 days). Also, company liquidity is stretched with marked cash credit facility fully utilised for the last six months ending September 2017.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of Paltech to arrive at the rating.

About the rated entity - Key financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.35	35.54	31.31
EBITDA	Rs. Cr.	5.76	6.38	5.69
PAT	Rs. Cr.	1.14	1.21	0.85
EBITDA Margin	(%)	22.73	17.95	18.17
PAT Margin	(%)	4.51	3.40	2.70
ROCE	(%)	11.80	13.48	12.55
Total Debt/Tangible Net Worth	Times	1.24	1.10	1.31
PBDIT/Interest	Times	1.39	1.56	1.48
Total Debt/PBDIT	Times	4.37	3.62	4.10
Gross Current Assets (Days)	Days	700	507	523

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>
- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.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

Date	Name of Instrument/Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-Sept, 17	Cash Credit	Long Term	9.00	SMERA BB- (Indicative)
	Cash Credit [#]	Long Term	4.50	SMERA BB- (Indicative)
	Standby Line of Credit	Long Term	2.00	SMERA BB- (Indicative)
	Proposed Fund based facility	Long Term	0.49	SMERA BB- (Indicative)
	Letter of Credit	Short Term	1.00	SMERA A4 (Indicative)
	Bank Guarantee	Short Term	6.00	SMERA A4 (Indicative)
	Bank Guarantee ^{\$}	Short Term	5.01	SMERA A4 (Indicative)
25-Jul,16	Cash Credit	Long Term	9.00	SMERA BB- / Stable (Assigned)
	Cash Credit [#]	Long Term	4.50	SMERA BB- / Stable (Assigned)
	Standby Line of Credit	Long Term	2.00	SMERA BB- / Stable (Assigned)
	Proposed Fund based facility	Long Term	0.49	SMERA BB- / Stable (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	6.00	SMERA A4 (Assigned)
	Bank Guarantee ^{\$}	Short Term	5.01	SMERA A4 (Assigned)

[#] Cash credit facility is sanctioned for Kanti Bijli Utpadan Nigam Limited (KBUNL) project

^{\$} Bank Guarantee facility is sanctioned for Kanti Bijli Utpadan Nigam Limited (KBUNL) project

*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 I	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA C (Downgraded)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA C (Downgraded)
Standby line of Credit	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA C (Downgraded)
Proposed Long term rating	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA C (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Reaffirmed)
Bank Guarantee I	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4 (Reaffirmed)

Bank Guarantee II	Not Applicable	Not Applicable	Not Applicable	5.01	SMERA A4 (Reaffirmed)
Bank Guarantee III	Not Applicable	Not Applicable	Not Applicable	0.84	SMERA A4 (Reaffirmed)

Contacts:

Analytical	Rating Desk
<p>Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in</p> <p>Kashish Shah Rating Analyst Tel: 022-67141152 Email: kashish.shah@smera.in</p>	<p>Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.