

Param Enterprises Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	12.00	SMERA BBB/Stable (Assigned)
Bank Guarantee	33.00	SMERA BBB/Stable (Assigned)
Proposed Cash Credit	3.00	SMERA A3+ (Assigned)
Proposed Bank Guarantee	2.00	SMERAA A3+ (Assigned)

SMERA has assigned long term rating of '**SMERA BBB**' (**read as SMERA triple B**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) on the Rs.50.00 crore bank facilities of Param Enterprises Private Limited (PEPL). The outlook is '**Stable**'.

The ratings derive comfort from the established track record of operations, experienced management and comfortable financial risk profile. The ratings are also supported by the healthy order book position and price escalation clause in the contracts undertaken by the company. However, the ratings are constrained by the moderate scale of operations alongwith sector and geographic concentration risk. The ratings also factor in the working capital intensive operations.

PEPL, incorporated in 1989, is a Kolkata-based company engaged in the installation of railway signalling, safety and telecommunication systems. The company benefits from its experienced management Mr. Puneet Pathak, Managing Director possesses around 35 years of experience in the railway signalling system industry. The company has comfortable financial risk profile marked by gearing of 0.46 times March 31, 2016 and interest coverage ratio of 2.99 times in FY2015-16. The networth stood at Rs.24.93 crore as on March 31, 2016. Further, the company has unexecuted order book position of Rs.158.70 crore and orders worth Rs.184 crore wherein it has received letter of intent which provides revenue visibility for the medium term. The contracts undertaken by the company contain price escalation clause that protects the profit margin from volatility in raw material prices.

However, the ratings are constrained by the moderate scale of operations with operating income of Rs.68.72 crore in FY2015-16 as against Rs.51.46 crore in FY2014-15. The company caters only to Indian Railways with operations concentrated in the eastern region of India exposing the company to sector and geographic concentration risks. The operations are working capital intensive with gross current asset days (GCA) of 185 for FY2016. However, the liquidity position is comfortable with average cash credit limit utilisation of around 75 percent for the last six months ended 31 October, 2016.

Rating Sensitivity Factors

- Scaling up of operations while maintaining adequate profit margins
- Efficient working capital management
- Debt funded capex plan

Outlook - Stable

SMERA believes that the outlook on PEPL's rated facilities will remain stable over the medium term on account of its experienced promoters and healthy order book position. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of the financial risk profile.

About the Company

PEPL, incorporated in 1989, is a Kolkata-based company promoted by Mr. Puneet Pathak and family. The company is engaged in the installation of railway signalling, safety and telecommunication systems. The company has been empanelled as Class I signalling contractor for Eastern, South-Eastern, Northern-Eastern Frontier and East-Central Railways.

In FY2015-16, the company reported profit after tax (PAT) of Rs.3.31 crore on operating income of Rs.68.72 crore against PAT of Rs.3.65 crore on operating income of Rs.51.46 crore in the previous year.

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ABOUT SMERA

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