

Press Release

PARAM ENTERPRISES PRIVATE LIMITED

16 February, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 50.00 crore
Long Term Rating	SMERA BBB/ Stable(Reaffirmed)
Short Term Rating	SMERA A3+(Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed long-term rating of '**SMERA BBB**' (**read as SMERA triple B**) and short-term rating of '**SMERA A3+**' (**read as SMERA A3 plus**) on the Rs. 50.00 crore bank facilities of Param Enterprises Pvt Ltd. The outlook is '**Stable**'.

Param Enterprises Private Limited (PEPL) incorporated in the year 1989, is a Kolkata based company promoted by Mr. Puneet Pathak and family. The company is engaged in infrastructure projects of railways which includes installations of railway safety and signalling systems i.e. installation of SSI, panel interlocking and route relay interlocking, automatic signalling etc.

Param has **ISO 9001:2008** certification for design of signalling equipment / system and installation, testing & commissioning of signalling projects. The management of the company is supported by skilled and railway service experienced S & T Engineers assisted with CAD operators.

Key rating drivers

Strengths

- Established track record of operations along with experienced management:** PEPL was incorporated in the year 1989 and is engaged in providing railway safety and signalling services along with telecommunication services since inception. The company is empanelled Class-I signalling contractor in Eastern region and has ISO 9001:2008 certification for design of signalling equipment system and installation, testing & commissioning of signalling projects. PEPL has executed more than 200 signalling installation projects till date. The strong project execution capability of the company has helped it to secured repeat orders from the Indian Railways. The company is promoted by Mr. Puneet Pathak who has extensive experience of more than three decades in the area of rail signalling systems. Further, the management is supported by well qualified and experienced second line of management.

- Comfortable financial risk profile:** The financial risk profile is marked by modest networth, comfortable gearing and healthy debt protection measures. The networth stood at Rs 27.91 crore as on 31 March, 2017 as compared to Rs. 24.93 crore as on 31 March, 2016. The debt equity stood at 0.52 in FY2017 times as compared to 0.46 in FY2016 and interest coverage at 2.77 times in FY2017 as against 2.99 times in FY2016. Moreover, the Net Cash Accruals to Total Debt

(NCA/TD) stood at 0.21 times while Debt Service Coverage (DSCR) stood at 2.25 times as on March 31, 2017.

•Healthy order book position providing revenue visibility over the medium term:PEPL has healthy order book position Rs.115.19 crore as on 31st January, 2018 which is expected to be executed by the end of FY18. Further, the company has received or is going to receive letter of intent for orders worth Rs. 273.00 crore and same is expected to be finalised by March, 2018.

•Healthy profitability margins:The company has reported healthy EBITDA margin of 10.84 percent for FY 2017 as against 9.98 percent for FY 2016. Further, all agreement of the company have an inbuilt escalation clause. Hence any increase in the raw material prices or other direct expenses during the project execution will be compensated by the railways, thereby protecting the margins of the company against any fluctuations in raw material. Further, PEPL has reported PAT margin of 5.02 percent for FY 2017 as against 4.82 percent for FY 2016.

Weaknesses

•Modest scale of operations:The company is operating at modest scale of operations with operating income of Rs. 59.27 crore for FY 2017 as against Rs. 68.72 crore for FY 2016 due to demonetisation. Further, PEPL has reported revenue of Rs. 43.54 crore during the period from April to September 2017 (provisional).

Considering the nature of the business and the dealings with government organizations, around 52% of the operating income is generally booked during the second half of the financial year.

• Working capital intensive nature of operations:The operations of the company are working capital intensive in nature with gross current asset (GCA) days of 157 for FY 2017 as against 116 days in FY 2016. The debtor days stood at 69 days during FY17 and inventory days stood at 27 days during FY16.The debtor days are high due to the nature of payment received from their clients.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Param Enterprise Private Limited (PEPL) to arrive at the rating.

Outlook – Stable

SMERA believes the outlook on PEPL rated facilities will remain stable over the medium term on account of 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 profitabilityand capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	59.27	68.72	51.46
EBITDA	Rs. Cr.	6.43	6.86	4.58
PAT	Rs. Cr.	2.98	3.31	3.65
EBITDA Margin	(%)	10.84	9.98	8.90
PAT Margin	(%)	5.02	4.82	7.10
ROCE	(%)	17.15	21.60	24.98
Total Debt/Tangible Net Worth	Times	0.45	0.38	0.43
PBDIT/Interest	Times	2.77	2.99	3.34
Total Debt/PBDIT	Times	1.91	1.33	1.25
Gross Current Assets (Days)	Days	157	116	137

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities – <https://www.smera.in/criteria-infra.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>

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
6 November, 2016	Cash Credit	Long Term	12.00	SMERA BBB/ Stable (Assigned)
	Bank Guarantee	Short Term	33.00	SMERA A3+ (Assigned)
	Proposed Cash Credit	Long Term	3.00	SMERA BBB/ Stable (Assigned)
	Proposed Bank Guarantee	Short term	2.00	SMERA A3+ (Assigned)

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	15.00	SMERA BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	33.00	SMERA A3+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3+ (Reaffirmed)

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ABOUT SMERA

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