

Press Release

Param Enterprises Private Limited

October 08, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 90.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 90.00 crore bank facilities of Param Enterprises Private Limited (PEPL). The outlook is '**Stable**'.

PEPL, incorporated in 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 signaling systems i.e. installation of SSI, panel interlocking and route relay interlocking, automatic signaling, among others. PEPL has ISO 9001:2008 certification for design of signaling equipment / system and installation, testing & commissioning of signaling projects.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Established track record of operations along with experienced management**

PEPL has executed more than 200 signaling installation projects till date. The large 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 with extensive experience of more than three decades in the rail signaling 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 moderate network, comfortable gearing and healthy debt protection measures. The network stood at Rs.33.63 crore as on 31 March, 2018 as compared to Rs.28.90 crore as on 31 March, 2017. The debt equity stood at 0.61 times in FY2018 as compared to 0.47 times in FY2017 and interest coverage ratio stood at 3.44 times in FY2018 as against 2.77 times in FY2017. The total debt consists of debt in the form of borrowing from banks and other financial institution amounting to Rs.19.38 crore and unsecured loans amounting to Rs.1.58 crore. Moreover, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.25 times while Debt Service Coverage Ratio (DSCR) stood at 2.66 times as on March 31, 2018.

- **Healthy order book position**

PEPL has healthy order book position as on 31 August, 2018 unexecuted to the tune of Rs.586.57 crore which gives comfortable revenue visibility over the medium term.

Weaknesses

• Working capital intensive nature of operations

The operations of the company are working capital intensive in nature with Gross Current Asset (GCA) days of 124 in FY2018 as against 157 days in FY 2017. The debtor days stood at 60 during FY2018 and inventory days stood at 7 during FY2018. The GCA days are mainly high owing to high amount of other current assets in the form of short term loans and advances amounting to Rs.14.25 crore.

Outlook: Stable

Acuite believes that the outlook on PEPL 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 profitability while improving liquidity position and maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.75	59.27	68.72
EBITDA	Rs. Cr.	10.21	6.43	6.86
PAT	Rs. Cr.	4.98	2.98	3.31
EBITDA Margin	(%)	10.13	10.84	9.98
PAT Margin	(%)	4.95	5.02	4.82
ROCE	(%)	21.68	17.15	21.60
Total Debt/Tangible Net Worth	Times	0.61	0.47	0.41
PBDIT/Interest	Times	0.60	0.46	0.39
Total Debt/PBDIT	Times	1.94	1.97	1.39
Gross Current Assets (Days)	Days	124	157	116

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-15.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Feb-2018	Cash Credit	Long Term	15.00	ACUITE BBB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	33.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3+ (Reaffirmed)
09-Nov-2016	Cash Credit	Long Term	12.00	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	33.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00 (Enhanced from Rs.15.0cr)	ACUITE BBB / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	43.00 (Enhanced from Rs.33.0cr)	ACUITE A3+ (Reaffirmed)
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	27.00 (Enhanced from Rs.2.00 cr)	ACUITE A3+ (Reaffirmed)

Contacts

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About Acuite Ratings & Research:

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