

PHI Audiocom Systems Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	1.25	SMERA BB-/Stable (Assigned)
Bill Discounting	0.50	SMERA A4 (Assigned)
Bank Guarantee	5.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.6.75 crore bank facilities of PHI Audiocom Systems Private Limited (PHI). The outlook is **'Stable'**.

The ratings derive comfort from the established track record of operations, experienced management and reputed customer base. The ratings also factor in the moderate financial risk profile. However, the ratings are constrained by the declining margins, working capital intensive operations and client concentration risk.

PHI, incorporated in 2001, is engaged in the manufacture of audio communication equipments. The company executes turnkey projects related to industrial and naval communication systems and generates around 75 per cent revenue from the Indian Navy. The company benefits from its experienced management. Mr. Chandrashekhar Bhawe (Managing Director) possesses 38 years of industrial and managerial experience out of which 32 years were in audio communication and 15 years as the Managing Director. Further, Mrs. S M Kulkarni possesses 33 years of industrial and managerial experience with 32 years in the audio communication field and 15 years as the Director.

The revenues of the company increased to Rs.14.11 crore in FY2015-16 (provisional) from Rs.10.30 crore in FY2014-15. Further, the company caters to a reputed client base including Siemens, L&T, BHEL among others. The financial risk profile of PHI is moderate marked by gearing of 0.10 times as on March 31, 2016 (provisional) as compared with 0.15 times as on March 31, 2015. Further, ICR stands moderate at 4.71 times as on March 31, 2016 (provisional) as compared with 8.06 times as on March 31, 2015.

The EBITDA margins have declined from 6.01 per cent in FY2014-15 to 4.92 per cent in FY2015-16 (provisional). The ROCE stands low at 7.00 per cent in FY2015-16. The operations are working capital intensive as reflected in the gross current assets of 147 days on account of high debtor days of 174 in FY2015-16 (provisional) since the company caters to government clients.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook - Stable

SMERA believes that the outlook on PHI's rated facilities will remain stable over the medium term on account of the company's experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

PHI was incorporated in 2001 under the directorship of Mr. Chandrashekhar Narayan Bhawe, Mrs. Vidya Chandrashekhar Bhawe and Mr. Shashikant Mukund Kulkarni. The company is engaged in the manufacturing of audio communication equipments and also executes turnkey projects related to industrial and naval communication systems.

In FY2015-16 (provisional), the company reported profit after tax (PAT) of Rs.0.30 crore on operating income of Rs.14.11 crore against PAT of Rs.0.30 crore on operating income of Rs.10.30 crore in the previous year.

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ABOUT SMERA

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