

Press Release

PHI AUDIOCOM SYSTEMS PRIVATE LIMITED

31 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.75 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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. 6.20 crore bank facilities and assigned long-term rating of '**SMERA BB-** (read as SMERA double B minus) on the Rs. 0.55 crore facilities of PHI AUDIOCOM SYSTEMS PRIVATE LIMITED. The outlook is 'Stable'.

Further SMERA has withdrawn the short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 0.50 crore bank facilities.

PHI Audiocom Systems Private Limited (PHIAL) incorporated in 2001, is a Pune-based company that undertakes execution of turnkey projects related to industrial and naval on-board communication systems. The company is led by Mr. Chandrashekhar Narayan Bhave, Mrs. Vidya Chandrashekhar Bhave and Mr. Shashikant Mukund Kulkarni (Directors).

Key Rating Drivers

Strengths

• Experienced management

PHIAL was incorporated in 2001. The company is headed by Mr. Chandrashekhar Bhave (Managing Director), Mrs. Vidya C. Bhave and Mr. Shashikant Kulkarni who possess more than three decades of experience in the audio communication field. The established track record of the company has helped establish healthy relations with reputed clients including Siemens, Indian Navy L&T and BHEL.

• Average financial risk profile

The average financial risk profile is marked by low net worth of Rs.8.86 crore as on 31 March, 2017 as against Rs. 8.23 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 0.05 times as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 3.87 times in FY2017 and 4.69 times in FY2016. In FY2017, the Total outstanding Liabilities to tangible Networth (TOL/TNW) stood at 0.48 times in FY2017. SMERA believes that PHIAL will maintain a moderate financial risk profile over the medium term.

Weaknesses

• Small scale of operations and moderate profitability

PHIAL is engaged in the manufacturing of audio communication equipment. The company executes turnkey projects related to industrial and naval communication systems and generates around 80 per cent revenue from the Indian Navy. It registered revenue of Rs.17.34 crore in FY2017 as against Rs.

14.11 crore in FY2016 and Rs. 9.75 crore from April to December 2017. PHIAL's operating margins stood at 8.98 per cent in 2016 and 5.09 per cent in 2016. The improved profitability is on the back of reduced raw material cost as a percentage of sales.

• Working capital intensive operations

PHIAL has working capital intensive operations. The Gross Current Assets (GCA) stood at 213 days in

FY2017 as against 258 days in FY2016. The debtors stood at 138 days in FY2017 as against 173 days in FY2016. The company has high inventory of 72 days in FY2017 as against 83 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of PHI Audiocom Systems Private Limited to arrive at the rating

Outlook: Stable

SMERA believes that the outlook on PHIAL'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 while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability or if the company takes on higher than expected debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.34	14.11	10.30
EBITDA	Rs. Cr.	1.56	0.72	0.62
PAT	Rs. Cr.	0.63	0.31	0.30
EBITDA Margin	(%)	8.98	5.09	6.01
PAT Margin	(%)	3.61	2.21	2.93
ROCE	(%)	14.51	6.96	11.56
Total Debt/Tangible Net Worth	Times	0.05	0.10	0.15
PBDIT/Interest	Times	3.87	4.69	8.06
Total Debt/PBDIT	Times	0.29	0.95	1.63
Gross Current Assets (Days)	Days	213	258	351

Any other information

Not Applicable

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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
08-Dec, 2016	Bills Discounting	Short Term	INR 0.5	SMERA A4
	Bank Guarantee	Short Term	INR 5	SMERA A4
	Cash Credit	Long Term	INR 1.25	SMERA BB- / Stable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon	Maturity	Size of the Issue (Rs. Crore)	Ratings/Outlook
	Rate	Date			
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable (Reaffirmed)
Bill discounting	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB- / Stable (Withdrawn)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.20	SMERA A4 (Reaffirmed)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	0.55	SMERA BB- / Stable (Assigned)

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ABOUT SMERA

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