

Press Release

PHI Audiocom Systems Private Limited

March 07, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

PAPL, incorporated in 2001, is a Pune based company engaged in manufacturing of audio communication equipment, providing designing solutions, and executing turnkey projects for work related to Industrial & Naval On-Board Communication Systems. The Board of Directors including Mr. Chandrashekar Narayan Bhawe, Mrs. Vidya Chandrashekar Bhawe and Mr. Shashikant Mukund Kulkarni.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

PAPL was incorporated in 2001. The Board of Directors have more than three decades of experience in the audio communication field. PAPL's established track record in the industry has enabled the company in establishing healthy relations with reputed clientele. Major clients include Siemens, Indian Navy L&T, and BHEL, among others.

• Average financial risk profile

The average financial risk profile marked by low net worth of Rs. 9.51 crore as on 31 March, 2018 as against Rs. 8.86 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.09 times as on 31 March, 2018 as against 0.05 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 7.00 times in FY2018 as against 3.87 times in FY2017. In FY2018, the total outstanding liabilities to tangible net worth (TOL/TNW) stood at 0.68 times. Acuite believes that PAPL will maintain a moderate financial risk profile over the medium term.

Weaknesses

• Small scale of operations and moderate profitability

PAPL 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. The company has registered revenue of Rs.16.86 crore in FY2018 which declined from Rs.17.34 crore in FY2017. The company has registered revenue of Rs.6.42 crore for the period April 2018 to January 2019. PAPL's operating margins stood at 8.42 per cent in FY2018 as against 8.98 per cent in FY2017.

• Working capital intensive operations

PAPL has working capital intensive operations. The Gross Current Assets (GCA) stood at 301 days in FY2018 as against 213 days in FY2017. The GCA days are dominated by high debtor collection period of 230 days in FY2018 as against 138 days in FY2017. The average cash credit utilisation for the past six months stood at ~70 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Outlook: Stable

Acuite believes that the outlook on PAPL'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 a sustained growth in revenue while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in revenue and profitability or in case of higher than expected debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.86	17.34	14.11
EBITDA	Rs. Cr.	1.42	1.56	0.72
PAT	Rs. Cr.	0.65	0.63	0.31
EBITDA Margin	(%)	8.42	8.98	5.09
PAT Margin	(%)	3.85	3.61	2.21
ROCE	(%)	11.14	14.51	6.96
Total Debt/Tangible Net Worth	Times	0.09	0.05	0.10
PBDIT/Interest	Times	7.00	3.87	4.69
Total Debt/PBDIT	Times	0.55	0.29	0.95
Gross Current Assets (Days)	Days	301	213	258

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
31-Jan-2018	Cash Credit	Long Term	INR 1	ACUITE BB- / Stable (Reaffirmed)
	Bills Discounting	Long Term	INR 0.5	ACUITE BB- / Stable (Withdrawn)
	Bank Guarantee	Short Term	INR 5.2	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	INR 0.55	ACUITE BB- / Stable (Assigned)
08-Dec-2016	Bills Discounting	Short Term	INR 0.5	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	INR 5	ACUITE A4

				(Assigned)
	Cash Credit	Long Term	INR 1.25	ACUITE BB- / Stable (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
Proposed	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.20	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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