

Press Release

Pan Intellect Limited

January 20, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	22.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.25.00 crore bank facilities of Pan Intellect Limited (PIL). The outlook is '**Stable**'.

The rating takes into account established track record of operations with experienced promoters, satisfactory financial performance during FY19-21 backed by association with reputed customers, comfortable financial risk profile of the entity led by lower debt levels. However, the above strengths are underpinned by elongated Gross Current Asset days (GCA), small scale of operation led by tender based business.

About the Company

Pan Intellect Limited (PIL), a Haryana based company was incorporated in May 1992. PIL is engaged in providing system integration of Audio/Video solutions, video surveillance, interactive solutions, security and allied products. The company has also rendered services such as multi-media training facility to Government entities.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PIL to arrive at the rating

Key Rating Drivers

Strengths

Established track record of operations with experienced management

Pan Intellect Limited was incorporated in 1992 and thus has almost two decades of existence in the industry. The company is managed by Mr. Harbir Singh Panesar and Mr. Rupinder Panesar, who also have more than decades of experience of handling business across India.

Acuite believes that long track record of the company and experience of management is expected to benefit the company.

Satisfactory financial performance during FY19-21

The company reported satisfactory financial performance during FY19-21, wherein total operating income of the company increased from Rs.52.64 crore in FY19 to Rs. 71.08 crore in FY21 (Rs.52.83 crore in FY20), thereby witnessing growth at the rate of 16% during FY19-21. The TOI increased in FY21 mainly on account of executing various orders for State Government entities. This also led to increase in profitability level and margin during FY21 vis-à-vis FY20.

Reputed Clientele

The company had been executing orders for various entities such as Bharat Electronics Limited, CPWD, Government of Uttar Pradesh, Government of Jharkhand, Larser & Turbo etc. In addition to this, PIL has rendered services such as multi-media training facility for Police Training College (Delhi), Command and control Room for Defense and Naval HQ, professional sound system for Jawahar Lal Nehru Stadium, New Delhi, Golden Temple Plaza (Amritsar) etc. The company has also executed various projects for Government such as setting up of Board room for ministry of Finance, Ministry of Home Affairs, Ministry of Finance etc.

Comfortable Financial Risk Profile

The capital structure as represented by debt-equity ratio remained below unity during FY19-21. The debt profile of the company only comprises of Finance lease obligation of Rs.0.04 crore as on March 31, 2021. The interest gearing ratio of the company improved during FY21 and remained at 16.21 times against 5.59 times in FY20 (3.34 times in FY19). The net cash accruals to total debt also improved to 15.84 times in FY21 against 2.35 times in FY20 (0.25 times in FY19). The total outstanding liability to total debt, however remained at similar level at 1.04-1.34 times in FY19-21. The debt-EBITDA also improved during FY21 and remained at 0.04 times vis-à-vis 0.27 times in FY20 (2.03 times in FY19).

Acuite believes that financial risk profile of PIL is expected to remain at lower level as the company is not planning to avail any term debt going ahead.

Weaknesses

Elongated Gross Current Asset days

The Gross Current Asset days of the company remains at higher level at 274 days in FY21 (288 days in FY20 and 280 days in FY19). This is mainly due to higher debtors' period of above 200 days in FY19-21. The receipts are realized on milestone basis and the company receives payment after 20-30 days of raising bills. Further, as company executes major portion of orders during last quarter, hence, debtors outstanding is at higher level during fiscal year ending. The inventory days remains at lower level at 8-17 days. The company purchases equipment as per the requirement of project. The company also receives credit period from its client to the tune of 90 days. The average working capital utilization for the past 8 months ending November 2021 remained at 70%.

Small scale of operations

The scale of operations as represented by tangible net-worth remained at Rs.28.74 crore as on March 31, 2021, despite established track record of operations.

Tender based nature of business

The company's performance is susceptible to the tender based nature of business, where the business depends on the ability to bid for contracts successfully. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Improvement in revenue and profitability margins with successful execution of high value orders.

>Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

Material covenants

None

Liquidity: Adequate

The net cash accruals of the company remained between Rs.1.30 crore to Rs.3.85 crore in FY19-21. The company does not have any debt obligation going ahead. The current ratio of PIL remained above unity during FY19-21. The cash and bank balance remained at Rs.2.23 crore as on March 31, 2021. The company is expected to report NCA of Rs.5.50 crore and Rs.6.75 crore during FY22 and FY23 respectively. The DSCR of the company increased significantly to 12.28 times in FY21 against 3.96 times in FY20 (FY19-2.70 times).

Acuite believes that liquidity profile of the company is expected to remain at adequate level, backed by absence of debt repayment obligation.

Outlook: Stable

Acuite believes that the outlook on PIL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	71.08	52.83
PAT	Rs. Cr.	3.44	0.90
PAT Margin	(%)	4.84	1.71
Total Debt/Tangible Net Worth	Times	0.01	0.02
PBDIT/Interest	Times	16.21	5.59

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

CRISIL has placed the rating under Issuer Not Cooperating via PR dated November 16, 2021

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Assigned

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About Acuité Ratings & Research

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