

Press Release

Pan Intellect Limited

April 05, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	3.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	14.00	-	ACUITE A3 Assigned
Bank Loan Ratings	22.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed 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**) respectively, to the Rs. 3 Crore facility and Rs.22.00 Crore bank facilities of Pan Intellect Limited (PIL). Further Acuite 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**) respectively to the Rs. 11 Crore facility and Rs. 14.00 crore facility of PIL.

The outlook is '**Stable**'.

Rating Rationale

The rating takes into account the established track record of operations with experienced promoters, comfortable financial risk profile and improvement in total operating income of the company. Intensive working capital management marked by elongated Gross Current Asset days (GCA), debtor days, creditor days and risk in tender based nature of businesses underpins the above strengths.

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 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. It is promoted by Mr. Harbir Singh Panesar, Mr. Rupinder Panesar and Mr. Ranbir Singh Panesar.

Analytical Approach

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

Key Rating Drivers

Strengths

Satisfactory Operating Performance

The total operating income of the company increased from Rs. 71.08 crore in FY21 to Rs. 102.82 crore in FY 22, thereby witnessing growth at the rate of 44.65%. The total operating income, improved significantly during FY22, mainly on account of executing orders pertaining to reputed clientele. Further, the company have order book size of Rs. 137,31 crore with client like Larsen & Toubro, JHANSI Space Musuem, BEL -Videowall supply- IACCS, etc.

Improved Profitability

On profitability front, the company witnessed improvement wherein the operating profit increased to Rs.7.53 crore in FY22 against that of Rs. 5.09 crore in FY21. The increase in operating profit is mainly on account of company executing high value projects. The operating profit margin, remained at 7.32% during FY22 as against 7.16% in FY21. The net profit of the company also improved in tune with operating profit during past three years. The net profit increased significantly from Rs. 3.44 crore in FY21 to Rs.5.18 crore in FY22 and stood at 5.04% as on FY 22.

Reputed Clientele

The clientele of the company includes several companies of repute such as Bharat Electronics Limited, CPWD, Government of Uttar Pradesh, Government of Jharkhand, Larsen & Toubro 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.

Weaknesses

Intensive Working Capital Management

The Gross Current Asset days of the company though improved it remained high at 220 days in FY 22 vis- à-vis 274 days in FY21. This is mainly due to higher debtors' period of 190 days in FY 22. As the major projects are executed for Government bodies, the receipts are realised on milestone basis. Further, as company executes major portion of orders during last quarter, hence, debtors outstanding is at higher level during fiscal year end. The inventory days remains at lower level at 6 days. The creditor days are maintained at 243 days in FY 22 as against 241 days in FY 21. The company had utilized its cash credit facility at an average utilisation of 58.31% in the past 6 months ending February 2023.

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.

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 Position

Adequate

The net cash accruals of the company remained at Rs. 5.48 crore as against Rs. 0.21 crore of debt obligation in FY 22. The current ratio of PIL remained low at 1.09 during FY22 showing stretched short-term liquidity however, the buffer available as undrawn WC limit gives

additional liquidity. The cash and bank balance remained at Rs. 1.12 crore as on March 31, 2022 vis-à-vis Rs.2.23 crore as on March 31, 2021. The DSCR of the company declined yet comfortably maintained at 9.02 times in FY22 as against 12.28 times in FY21.

Acuite believes that liquidity profile of the company is expected to remain at adequate level, backed by moderate WC limit utilization, absence of debt repayment obligation and company's ability to generate profit in coming years.

Outlook: Stable

Acuite believes that the outlook on PIL will remain 'Stable' over the medium term on account of its experienced promoter and improvement in operations of the company. 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 resulting into stretched liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	102.82	71.08
PAT	Rs. Cr.	5.18	3.44
PAT Margin	(%)	5.04	4.84
Total Debt/Tangible Net Worth	Times	0.09	0.01
PBDIT/Interest	Times	17.69	16.21

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

Care Ratings vide its press release dated 2.6.2022, had reaffirmed the company to CARE BB-/A4 (Stable); INC

Crisil vide its press release dated 16.11.2021 and reaffirmed the company to CRISIL BB/A4+ (Stable); INC

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2022	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	2.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3 Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3 Assigned

PS: LC of 10 crore is the sub-limit of Bank Guarantee.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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