

May 25, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Long Term Bank Facility (Proposed)	0.07	SMERA BB/Stable (Assigned)
Letter of Credit*	5.00	SMERA A4+ (Assigned)

*Includes sublimit of buyers credit limit of Rs. 5.00 crore

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) on the Rs.4.07 crore long term (fund based) bank facilities and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.5.00 crore short term (non-fund based) bank facility of C-Net Communication India Private Limited (C-Net). The outlook is '**Stable**'. The ratings derive comfort from the company's low leverage and healthy debt protection metrics. The ratings also draw support from the experienced management and profitability profile. However, the aforementioned strengths are partially offset by the capital intensive business and modest scale of operations. The ratings are also constrained by the intense market competition in the broadcasting industry.

C-Net is engaged in the digital communication equipment business and is a leading player in DTH Set Top Boxes for Pay TV channels in India. The company's healthy financial risk profile is marked by low leverage (debt-equity ratio) of 0.22 times as on March 31, 2015 and strong interest coverage ratio of 5.15 times in FY2014-15 (refers to financial year, April 01 to March 31).

The comfortable liquidity position is evident by low utilisation (44 per cent) of working capital limits during April 2015 to March 2016.

C-Net benefits from its experienced management. Mr. Anoop Kumar and Mr. Mohit Verma, Director, have around two and half decades of experience in the broadcasting industry. The company also benefits from its established relations with customers and suppliers.

However, C-Net faces intense market competition in the broadcasting industry. Its operations are working capital-intensive, as reflected in the gross current assets (GCA) of 307 days and collection period of 195 days in FY2014-15.

Outlook- Stable

SMERA believes C-Net will maintain a stable business risk profile in the medium term owing to the established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' if the company registers higher than expected cash accruals, substantial and sustained improvement in revenue and profitability profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected cash accruals, deterioration in revenue and profitability profile or lengthening of working capital cycle. Additionally, deterioration in the capital structure due to large debt funded capital expansion may also entail a 'Negative' outlook.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

C-Net Communication India Private Limited (C-Net)

**Rating
Rationale**

Rating Sensitivity Factors

- Efficient working capital cycle
- Substantial and sustainable improvement in revenue and profitability profile

About the Company

The New Delhi-based C-Net was incorporated in 1994 by Mr. Anoop Kumar and Mr Mohit Verma to provide digital communication equipment to broadcasters for Pay TV channels in India. The company is engaged in the service and repair of DTH Set Top Boxes, HD STBs, PVRs, Digital Satellite and Cable Set-Top boxes (STB) among others, also set-up facilities for manufacturing STB in 2015-16. The company has four offices and 14 warehouses at key cities of India such as Delhi, Mumbai, Kolkata and Chennai (name of few).

For FY2013-14, C-Net reported profit after tax (PAT) of Rs.1.30 crore on operating income of Rs.13.05 crore, as compared with PAT of Rs.2.45 crore on operating income of Rs.17.75 crore in the previous year. The company has booked operating income of Rs.17.00 crore (provisional) till February 29, 2016. The net worth stood at Rs.20.54 crore as on March 31, 2015, as compared with Rs.20.19 crore a year earlier.

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