

Mobile Communications (India) Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	2.00	SMERA BB/Stable (Assigned)
Bank Guarantee*	17.00	SMERA A4+ (Assigned)

* Sublimit of 15.00 crore letter of credit

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.2.00 crore bank facility and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.17.00 crore bank facility of Mobile Communications (India) Private Limited (MCIL). The outlook is '**Stable**'.

The ratings are supported by the company's long track record of operations in the trading of electronics and surveillance equipment business and experienced promoters. The ratings also draw support from the moderate financial risk profile marked by comfortable leverage (debt/equity), profitability and coverage indicators. However, the ratings are constrained by the working capital intensive operations (gross current assets of 153 days in FY2014-15 as compared to 82 days in FY2013-14) in the highly competitive electronics equipment trading industry. SMERA also notes the fluctuating revenue profile and profitability margins.

The company's moderate risk profile is evident from decline of PAT to Rs.1.08 crore in FY2015-16 (Provisional) as against Rs.1.26 crore in FY2014-15. In FY2013-14, the same stood at Rs.0.26 crore. The operating margin fell to 3.96 per cent in FY2015-16 (Provisional) as against 6.60 per cent in FY2014-15. The net profit margin fell to 1.94 per cent in FY2015-16 (Provisional) as against 2.95 percent in FY2014-15. The ROCE stands at 10.23 per cent as of FY2015-16 (Provisional) as compared to 13.09 per cent a year earlier. The net cash accrual to total debt has declined and stands at 0.16 times in FY2015-16 (Provisional) as compared to 0.22 times a year earlier. SMERA also notes that the company has investment of Rs.3.27 crore in residential property.

Outlook: Stable

SMERA believes that MCIL will maintain a stable business risk profile over the medium term owing to the promoters' industry experience and established relationships with customers. The outlook may be revised to 'Positive' if MCIL substantially improves its revenue by diversifying its client base and prudently managing its working capital requirements while improving profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in capital structure and deterioration of financial risk profile.

Rating Sensitivity Factors

- Improvement in revenues and profitability
- Future debt funded capex plan

Criteria applied to arrive at the ratings:

- Trading Entities

About the Company

MCIL, incorporated in 1992, is a New Delhi-based authorised distributor of wireless radios, radio trunking solutions and accessories of Motorola. The company is also a distributor for surveillance cameras-cum-software and encryption modules used by the police, paramilitary forces and corporate houses.

For FY2014-15, MCIL reported profit after tax (PAT) of Rs.1.26 crore on operating income of Rs.42.57 crore, as compared with PAT of Rs.0.26 crore on operating income of Rs.32.65 crore in FY2013-14. The company's net worth stood at Rs.15.06 crore as on March 31, 2015, as compared with Rs.13.81 crore a year earlier. MCIL registered revenue of Rs.55.69 crore in FY2015-16 (Provisional). The net worth stood at Rs. 16.87 crore (Provisional) as on March 31, 2016.

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ABOUT SMERA

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