

## Press Release

### Mobile Communications (India) Private Limited

August 17, 2020



#### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 55.00 crores (Enhanced from Rs. 30.00 crores)
<b>Long Term Rating</b>	ACUITE BBB-/ Outlook: Stable (Rating Reaffirmed and Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Rating Reaffirmed and Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 30.00 crores bank facilities of Mobile Communications (India) Private Limited (MCPL). The outlook is '**Stable**'.

Further, Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 25.00 crore of bank facilities of MCPL. The outlook is '**Stable**'.

Delhi based, MCPL was incorporated in 1992 by Mr. Ravi Kant Gandhi and family. The company is engaged in providing communication solutions to Government organisations such as police, paramilitary forces and defence organisations. MCPL is the national distributor of Motorola Solutions and Elbit Systems in India, i.e. wireless radios and accessories. The company provides IT, wireless communications, close circuit TV surveillance infrastructure and other technology solutions. In addition to the above the company also has a strong presence in petro engineering solutions delivering vapour recovery units for reputed clients including names like Reliance Industries Limited (RIL), Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL).

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MCPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

###### • Experienced management and healthy order book position

MCPL is promoted by Mr. Ravi Kant Gandhi and Mr. Kovid Gandhi. The promoters have over three decades of experience in the electronics and communication solutions business in India. Further, the company has diversified its revenue streams by entering into petro engineering solutions business; providing Vapor recovery systems to major Oil companies. The company have been associated with Motorola since 1992, which is their key supplier for communication solutions business. The company benefits from the rich experience of the promoters, which is reflected by repeated orders from reputed customers' year on year. The client portfolio of the company includes renowned names such as IOCL, BPCL and RIL for the petro engineering solutions business and the company caters to various government agencies in the electronics and communication solutions business. The company has a healthy order book position of ~Rs. 226.21 crores confirmed orders as on 31st July 2020. Acuité believes MCPL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

###### • Moderate financial risk profile

MCPL's financial risk profile is moderate, marked by above-average net worth, low gearing and moderate debt protection measures. The company's net worth increased to Rs.22.15 crore as on 31 March, 2020 (Provisional) as against Rs.21.16 crore in the previous year on account of stable profitability

leading to higher accretion to reserves. MCPL's gearing is estimated to be low at 0.26 times as on 31 March, 2020 (Provisional) as against 0.22 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 0.26 times as on March 31, 2020 (Provisional). The total debt of Rs.5.86 crore consists of long term debt of Rs.1.80 crore, and Rs.4.06 crore of short term debt obligations as on 31st March 2020 (Provisional). The moderate profitability levels have resulted in moderate net cash accrals of Rs.1.48 crore during FY2020 (Provisional). The interest coverage ratio stood at 4.24 times in FY2020 (Provisional) as against 3.81 times in the previous year. NCA/TD ratio stood 0.25 times in FY2020 (Provisional).

### **Weaknesses**

- **Working Capital Intensive Operations**

MCPL's working capital cycle is dependent on its ability to ensure the timely collection of receivables from government departments. The company reported significant accumulation of debtors in FY2020 (Provisional), resulting in an increase in the average collection period to 83 days from 72 days in FY2020 (Provisional). Further, the inventory levels of the company witnessed a surge to 125 days in FY2020 (Provisional) from 25 days in the previous year on account of delay in the delivery of major orders due to the advent of Covid-19 pandemic. Consequently, the Gross Current Assets (GCA) also increased to 253 days in FY2020 (Provisional) as against 154 days in FY2019. Further, the creditor collection period stood at 325 days as on March 2020 (Provisional). However, the average bank limit utilization of the company for the last 12 month period ending on 30th June 2020 stood low at around 49.87%. Acuité believes that MCPL's credit risk profile will remain dependent on its ability to manage its working capital requirements over the near to medium term.

- **Decline in the scale of operations**

MCPL witnessed 44.35% decline in their revenues in FY2020 (Provisional) to Rs. 68.68 crores from Rs. 123.41 crores in FY2019. The same was partly on account of 2019, Indian General Elections due to which many tender biddings were affected as the company only caters to government entities. Further, the pandemic arising due to Covid-19 has affected the company performance, which is evident by a decline in the fourth quarter revenues, the company generated sales of Rs. 63.76 crores in FY2019 which has declined to Rs. 21.23 crores in the last quarter of FY2020.

### **Rating Sensitivity**

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital or any major debt-funded capex.

### **Material Covenants**

None

### **Liquidity position: Adequate**

MCPL has adequate liquidity marked by sufficient net cash accrals to its maturing debt obligations. The company generated cash accrals of ~Rs.1.13 to Rs. 1.48 crore during the last three years through 2018-20 (Provisional), while its maturing debt obligations were in the range of ~Rs.0.19 to Rs. 1.36 crore over the same period. The cash accrals of the company are estimated to remain at around Rs. 3.74 - Rs.4.26 crore during 2021-23. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 253 in FY2020 (Provisional) however the same was on account of a buildup of inventory levels due to the Covid-19 pandemic. The company maintains unencumbered cash and bank balances of Rs.4.61 crore as on March 31, FY2020 (Provisional). The current ratio of the company stood healthy at 4.24 times as on March 31, FY2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of sufficient cash accrual while the maturing debt obligations will be in the range of ~Rs.0.25 to Rs. 0.08 crore.

### **Outlook: Stable**

Acuité believes that the outlook on MCPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than

envisioned working capital requirements.

#### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	68.68	123.41
PAT	Rs. Cr.	0.98	2.17
PAT Margin	(%)	1.43	1.76
Total Debt/Tangible Net Worth	Times	0.26	0.22
PBDIT/Interest	Times	4.24	3.81

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

Not Applicable

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Entities in Service Sector - <http://acuite.in/view-rating-criteria-50.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-June-2019	Cash Credit	Long Term	6.00 (enhanced from 5.00)	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+/Stable)
	Bank Guarantee	Short Term	24.00 (enhanced from 19.00)	ACUITE A3 (Upgraded from ACUITE A4+)
20-July-2018	Cash Credit	Long Term	5.00	ACUITE BB+/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A4+/ Stable (Reaffirmed)
25-Apr-2017	Cash Credit	Long Term	5.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)
	Bank Guarantee	Short Term	19.00	ACUITE A4+/ Stable (Reaffirmed)

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-/ Stable (Reaffirmed)

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A3 (Reaffirmed)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/ Stable (Assigned)
Proposed short term facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Assigned)

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### About Acuité Ratings & Research:

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