

Press Release

Mobile Communications (India) Private Limited

January 27, 2021

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.89.00 Cr. (Enhanced from Rs.55.00 Cr.)
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

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**) on the Rs.55.00 Cr bank facilities of Mobile Communication (India) Private Limited (MCPL). The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.34.00 Cr bank facilities of MCPL. The outlook is '**Stable**'.

Mobile Communication (India) Private Limited was incorporated in the year 1992. It is a Delhi based company promoted by Mr.Ravi Kant Gandhi and family. The company is engaged in providing communication solutions to Government organizations such as Police, Paramilitary Forces and Defense organizations. 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 business line, the company also has a strong presence in the Petro Engineering Solutions delivering Vapor Recovery Units to the oil companies.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations, experienced management and healthy order book position

Incorporated in the year 1992 as a private limited company MCPL has a long track record of operation of more than two decades. The company 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. The company has been associated with Motorola since 1992, which is one of the key supplier of the company for the communication solution division. Further, the company has also diversified their revenue streams by entering into petro engineering solution business, i.e. providing vapor recovery system to the major oil companies. The company benefits from the extensive experience of the promoters which is reflected by repeated orders from the reputed customers' year on year basis. The company has a healthy confirmed order book position of Rs.126.53Cr as on December 31, 2020 which shows the revenue visibility in the near to medium term.

Acuite believes that the company will benefit from its experienced management and long track of operation.

• **Moderate financial risk profile**

MCPL's financial risk profile is moderate marked by above average net worth, low gearing coupled with moderate debt protection metrics and coverage indicators. The company's net worth stood at Rs.22.80Cr as on March 31, 2020 as against Rs.21.16Cr as on March 31, 2019. The company has followed conservative financial policy. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at 0.26 times and 2.01 times respectively as on March 31, 2020 as against 0.22 times and 2.36 times as on March 31, 2019. The company, on the other hand, generated cash accruals of Rs.2.09Cr in FY2020 as against Rs.3.07Cr in FY2019.

The decline in the profitability level, coupled with moderate debt level, has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.36 times and 3.62 times respectively as against 0.67 times and 3.81 times in FY2019, respectively. The debt service coverage ratio stood 2.34 times in FY2020 as against 2.83 times in FY2019. The Debt-EBITDA ratio stands at 1.59times in FY2020 against 0.86times in FY2019. The company's operating margin has improved in FY2020 as against FY2019. The operating margin and the profit margin stood at 3.64 percent and 2.28 percent in FY2020 as against 3.53 percent and 1.76 percent respectively in FY2019.

Acuite believes the financial risk profile of the company will improve its financial risk profile in the near to medium term on account of revenue growth backed by comfortable order book position, stable operating margins, moderate cash accruals and no major debt funded capex in near to medium term.

Weaknesses

• **Working capital operation is intensive in nature**

MCPL's working capital operation is intensive in nature as it is reflected by its gross current asset (GCA) days of around 284 days in FY2020 as against 165 days in FY2019. MCPL's working capital cycle is dependent on its ability to ensure timely collection of receivables from the Government departments. The company reported significant accumulation of debtors in FY2020 resulting in an increase in the average collection period to 79 days as on March 31, 2020 as against 72 days as on March 31, 2019. Further, the inventory holding period of the company witnessed a surge to 124 days as on March 31, 2020 from 25 days as on March 31, 2019 on account of delay in the delivery of major orders due to the advent of Covid-19 pandemic. However, the bank limit utilization stood low at 64.83 percent for the last six months ending on December, 2020.

Acuite expects the working capital management to remain intensive over the medium term on account of high debtor and creditor collection period.

• **Decline in the scale of operation**

The operating income of the company has declined by around 44.96 percent to Rs.67.93Cr in FY2020 as against Rs.123.41Cr in FY2019. The decline in the revenue was majorly due to two reasons. Firstly, due to the Indian General Election, less number of fresh orders was released by the Government and secondly due to Pandemic COVID-19 which impacted the last quarter sale of the company. EBITDA of the company has declined significantly to Rs.2.47Cr in FY2020 from Rs.4.36Cr in FY2019. Similarly, PAT of the company was declined to Rs.1.55Cr in FY2020 from Rs.2.17Cr in FY2019.

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.09Cr in FY2020, while its' maturing debt obligation were Rs.0.31Cr for the same period. The cash accrual of the company is estimated to remain around Rs.4.00Cr to Rs.6.00Cr during 2021-23 against repayment obligations of around Rs.0.20Cr to Rs.0.40Cr during the same period. The company's working capital operations is intensive in nature marked by the Gross Current Asset (GCA) days of 284 days in FY2020 as against 165 days in FY2019. The average bank limit utilization stood low at around 64.83 per cent for six months ended December, 2020. The company maintains unencumbered cash and bank balances of Rs.7.13Cr as on 31 March 2020. The current ratio of the group has improved to 1.39 times as on 31 March 2020 from 1.33 times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Significant improvement in the scale of operation with improvement in profitability, sustenance of comfortable financial risk profile
- Any further deterioration in the working capital cycle

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and moderate financial risk profile. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while maintaining as sustained operating margins at its current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	67.93	123.41
PAT	Rs. Cr.	1.55	2.17
PAT Margin	(%)	2.28	1.76
Total Debt/Tangible Net Worth	Times	0.26	0.22
PBDIT/Interest	Times	3.62	3.81

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Aug-2020	Cash Credit	Long Term	6.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	24.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Facility	Long Term	10.00	ACUITE BBB-/Stable (Assigned)
	Proposed Short Term Facility	Short Term	15.00	ACUITE A3 (Assigned)
03-Jun-2019	Cash Credit	Long Term	6.00 (Enhanced from Rs.5.00Cr)	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
	Bank Guarantee	Short Term	24.00 (Enhanced from Rs.19.00Cr)	ACUITE A3 (Upgraded from ACUITE A4+)
20-Jul-2018	Cash Credit	Long Term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	19.00	ACUITE A4+ (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)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.53	ACUITE BBB-/Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Reaffirmed)
Term Loan (Covid-19 Emergency Line)	May, 2021	Not Available	May, 2024	1.02	ACUITE BBB-/Stable (Assigned)
Bank Guarantee-I	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A3 (Reaffirmed)
Bank Guarantee-II	Not Applicable	Not Applicable	Not Applicable	21.45	ACUITE A3 (Reaffirmed)
Bank Guarantee-III	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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