

Press Release

Revmax Telecom Infrastructures Private Limited

March 23, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 10.00 crore bank facilities of Revmax Telecom Infrastructures Private Limited (RTPL). The outlook is '**Stable**'.

The rating downgrade is due to decline in revenue, margins and deterioration in overall financial performance of the company. The downgrade also factors in modest revenue visibility and scaling up of the operations over the near to medium term.

RTPL, based at Mumbai, was incorporated in 2004 by Mr. Kaustubh Hirachand Butala. The company is engaged in the business of electronic surveillance systems. These include CCTV, fire alarm systems, access control and intrusion detection systems. The company owns a fully functional OFC (Optical Fiber Communication) network in Mumbai Metropolitan Region (MMR).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

The promoters, Mr. Kaustubh Butala and Mrs. Pallavi Butala have around two decades of experience in the said industry and have established long term relations with reputed clients. The clientele of the company includes reputed players such as Reliance Group, TATA Communications, and Siemens, among others. The established market position and extensive network of promoters have helped the company to get recurring orders from existing clients.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by net worth of Rs.7.27 crore in FY2018 and Rs.7.21 crore in FY2017. Debt-Equity ratio stood at 0.86 times in FY2018 as compared to 1.35 times in FY2017, which has improved due to decline in long term obligations. Interest Coverage Ratio (ICR) stood at 2.65 times in FY2018 as against 5.10 times in FY2017. Debt Service Coverage Ratio (DSCR) stood comfortable at 2.71 times in FY2018 and 2.32 times in FY2017.

Weaknesses

- **Decline in revenue and margins**

The operating income has declined to Rs.18.95 crore in FY2018 from Rs.22.88 crore in FY2017. Further, operating margin and net profit margin have reduced to 11.02 percent and 0.28 percent in FY2018 as compared to 19.93 percent and 6.01 percent in FY2017. Decline in revenues is due to significant decline in order from the major customer i.e. Reliance Jio. The same can be observed in decline in revenues for FY2019, as the company has booked lower revenue of Rs.6.03 crore till February 2019.

• **Customer concentration risk**

Since RTPL caters largely to the Reliance Group (Reliance Energy, Reliance Retail, Reliance Life Sciences, Reliance Industries Limited and Reliance Jio) generating more than 65.00 per cent revenue in FY2018 and 80.00 percent in FY2017, it is exposed to customer concentration risk. The same can be observed through decline in revenue for FY2019 impacting overall financial performance of the company.

• **Moderate working capital cycle**

The operations of the company are working capital intensive in nature marked by Gross Current Assets (GCA) of 195 days in FY2018 and 197 days in FY2017. The inventory stood at 78 days in FY2018 as compared to 77 days in FY2017. The debtor days also stood moderate at 79 days in FY2018 and 108 days in FY2017.

Liquidity Position:

The liquidity position of the company stood modest marked by sufficient net cash accruals of Rs.1.29 crore against repayment obligations of Rs.0.66 crore for FY2018. The current ratio stood at 1.90 times in FY2018 as compared to 1.21 times in FY2017. The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 195 in FY2018. The average cash credit utilisation stood at 40.00 percent for last six months ending November 2018. The company maintains unencumbered cash and bank balances of Rs.1.31 crore as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the near to medium term.

Outlook: Stable

Acuité believes that RTPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the company reports higher than expected revenues, profit margins on account of successful bidding and completion of telecom projects. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or delays in project execution leading to low profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.95	22.88	17.41
EBITDA	Rs. Cr.	2.09	4.56	3.98
PAT	Rs. Cr.	0.05	1.37	1.94
EBITDA Margin	(%)	11.02	19.93	22.86
PAT Margin	(%)	0.28	6.01	11.14
ROCE	(%)	5.07	23.33	59.66
Total Debt/Tangible Net Worth	Times	0.86	1.35	0.81
PBDIT/Interest	Times	2.65	5.10	15.28
Total Debt/PBDIT	Times	3.10	2.13	1.20
Gross Current Assets (Days)	Days	195	197	179

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Mar-2018	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
02-Mar-2017	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
15-Feb-2017	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Assigned)

*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	5.00	ACUITE B+ / Stable (Downgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Downgraded)

Contacts

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About Acuité Ratings & Research:

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