

Press Release

Comsat Systems Private Limited

July 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 crore bank facilities of Comsat Systems Private Limited. The outlook is '**Stable**'.

Comsat Systems Private Limited (Comsat) is a Hyderabad based company incorporated in 1982 by Mr. John Saripally. Comsat is engaged in manufacturing of antenna systems for satellite communications and other antennas in UHF/VHF frequencies. Comsat has taken technical knowhow from Indian Space Research Organization (ISRO), Ahmedabad for C / Ext C Band feeds & Antennas for 11M & 7.5M diameter. So far the company has installed more than 5000 antennas all over India.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Mr. John Saripally (Founder and Managing Director) possesses more than three decades of experience in the satellite communications field. Before becoming an entrepreneur, Mr. John worked in ISRO and Electronics Corporation of India Limited (ECIL). His work experience coupled with longstanding relationship supported Comsat in improving its revenues at six fold from Rs.4.20 crore in FY2016 to Rs.13.65 crore in FY2018 (Provisional). It has an unexecuted order book position of about Rs.29.00 crore (for supply of materials and services) as of May 2018 for deliverables in next 10-15 months. Further, Comsat has participated in various work orders called by Bharat Electronics Limited, ISRO, National Remote Sensing Centre, among others. Acuite believes that long track record of operations coupled with the extensive experience of the promoters might support in improvement in the business risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile of the company is healthy marked by healthy gearing (Debt to Equity), comfortable coverage indicators and total outside liabilities to total net worth (TOL/TNW). Gearing is healthy at 0.40 times as on 31 March, 2018 (Provisional) as against 1.37 times as on 31 March, 2017 on account of equity infusion of Rs.3.54 crore. Net worth is at Rs.9.81 crore (Provisional) as on 31 March, 2018 as against Rs.5.74 crore as on 31 March, 2017. TOL/TNW is healthy at 1.20 times as on 31 March, 2018 (Provisional). Debt protection metrics of interest coverage ratio (ICR) and debt service coverage ratios (DSCR) are comfortable at about 2.24 times and 1.64 times (Provisional) respectively in FY2018. Acuite believes that financial risk profile is expected to be comfortable in the absence of major debt funded capital expenditure, and minimal debt obligations over the medium term.

Weaknesses

- **Modest scale of operations**

The scale of operations is modest which is evident from the revenues of Rs.13.65 crore for FY2018 (Provisional) as against Rs.16.53 crore for FY2017 and Rs.4.23 crore for FY2016. Though the company has adequate revenue visibility in terms of unexecuted order book of Rs.29.00 crore besides the new orders on tendering stage, however the execution and booking of revenues in FY2019 is a critical factor basis past track record of spill over of revenues. Though the execution, dispatch, inspection and revenue recognition is a lengthy process, but still the revenues in the industry are modest.

• Working capital intensive operations

Operations of the company are working capital intensive which is evident from high Gross Current Assets (GCA) of around 586 days in FY2018 (Provisional). This is mainly on account of high inventory holding period of 206 days and high debtors of 263 days. For manufacturing an antenna, it takes around three to six months time. For large size antennas, it takes about eight months time. The same led to high inventory holding period. Further, debtor days are high on account of few delayed payments by the customers. This leads to full utilisation of its working capital limits for over six months through May 2018. Further, its cash accruals are modest at about Rs.0.70 crore in FY2018 (Provisional). Acuite believes that the operations continues to be working capital intensive over the medium term.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Comsat Systems Private Limited to arrive at this rating.

Outlook: Stable

Acuite believes that Comsat will maintain a 'Stable' outlook over the medium term owing to its experienced management, established relationships with customers. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues while maintaining a stable profitability and improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any stretch in working capital management or further deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.65	16.53	4.23
EBITDA	Rs. Cr.	1.76	1.90	1.10
PAT	Rs. Cr.	0.53	0.57	0.07
EBITDA Margin	(%)	12.93	11.49	25.97
PAT Margin	(%)	3.91	3.42	1.65
ROCE	(%)	11.93	13.22	7.49
Total Debt/Tangible Net Worth	Times	0.40	1.37	1.54
PBDIT/Interest	Times	2.24	2.26	1.40
Total Debt/PBDIT	Times	2.15	4.03	7.19
Gross Current Assets (Days)	Days	586	347	1042

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

CRISIL in its rating rationale dated June 22, 2018 has reported that, it has been consistently following up with Comsat Systems Private Limited for obtaining information through letters and emails dated April 23, 2018, May 08, 2018, June 07, 2018 and June 11, 2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

***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
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4

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About Acuité Ratings & Research:

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