

Press Release

Prima Telecom Limited

April 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+** (**read as ACUITE BBB plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 40.00 crore bank facilities of Prima Telecom Limited. The outlook is '**Stable**'.

PTL, based in Delhi, is a part of the Telecom Division of the Suri Group. PTL was incorporated in 1995 as a public limited company. The company is engaged in the manufacturing of telecom equipment such as Modem, Multiplexers, Converters, UBR Radio and Pre-fab shelters, amongst others.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of PTL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters and strong group support**

PTL was incorporated in 1995 and promoted by Delhi based Lalit Suri group. The promoters of the company have more than two decades of experience in the telecom equipment manufacturing business. They have developed strong relations with its suppliers and customers. Major customers of PTL include reputed names such as ITI Ltd., Railtel, Bharti Airtel, Tata and Vodafone Idea. The extensive experience of the promoters is also reflected through the healthy revenue growth recorded by the company. The revenues of PTL are estimated to reach Rs.155 crores in FY2019 from Rs.67.14 crore in FY2017 indicating 131 per cent growth approximately. Further, the Suri group has diversified businesses in various sectors such as manufacturing of auto component and telecom equipment, hospitality, education and auto retailers. The Suri group of companies include Subros Limited, Global Autotech Limited, Rohan Motors Limited, Bharat Hotels Limited (The Lalit) and Fibcom India Limited to name a few.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate tangible net worth and debt protection measures and low gearing. The net worth of the company stood around Rs.28.37 crore in FY2018 as against Rs.24.48 crore in FY2017. The increase in net worth is on account of healthy accretion to reserves. The company has followed a conservative financial policy as reflected by peak gearing of 0.57 times over the last three years through 2017-18. The gearing of the company has further improved to 0.10 times as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.95 times as on 31 March, 2018 as against 1.17 times as on 31 March, 2017 and is estimated to remain around 2.0 times over the medium term on the back of absence of any debt funded capex plans. The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) improved to 6.07 times in FY2018 against 3.90 times in FY2017 due to lower interest cost and higher profitability. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.90 times as on 31 March, 2018 as against 0.33 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 4.97 times for FY2018 as against 3.27 times in FY2017. Acuité believes that the financial risk profile of PTL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

- **Intensive working capital nature of operations**

PTL's operations are working capital intensive as reflected by high gross current asset (GCA) days of 264 in FY2018. PTL's GCA days have remained at similar levels in the past. The high GCA days emanates from its high receivable days which stood at 185 days in FY2018. High receivable days were majorly on account of billing done in the month of March 2018; for which amounts were due and realised in the month of May and June 2018. The company provides an average credit period of 60-90 days to its customers.

- **Regulatory uncertainty**

The company remains susceptible to adverse impact on its business risk profile owing to any changes in the government policies.

Liquidity Position

Liquidity of PTL is marked by moderate net cash accruals of Rs.4-6 crore during the last two years. The cash accruals of the company are expected to improve and remain in the range of Rs.10-12 crore with no major repayment obligations, the company's incremental working capital requirements are estimated to remain in the range of Rs.8-10 crore over the medium term. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 264 in FY 2018. This has led to moderate reliance on working capital borrowings. The cash credit limit in the company remained utilised at around 80 percent during the last 6 months ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.0.92 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.18 times as on March 31, 2018. Acuité believes that the liquidity of the company will remain comfortable over near to medium term on account of increasing net cash accruals, no repayment obligations and absence of any debt funded capex plans.

Outlook: Stable

Acuité believes that PTL 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 and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of sharp deterioration in the working capital cycle, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	92.79	67.14	73.22
EBITDA	Rs. Cr.	7.90	6.26	7.62
PAT	Rs. Cr.	3.46	2.23	3.99
EBITDA Margin	(%)	8.52	9.33	10.41
PAT Margin	(%)	3.72	3.31	5.44
ROCE	(%)	18.91	14.90	38.21
Total Debt/Tangible Net Worth	Times	0.10	0.52	0.57
PBDIT/Interest	Times	6.07	3.90	5.40
Total Debt/PBDIT	Times	0.34	1.75	1.21
Gross Current Assets (Days)	Days	264	207	190

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

None

Any other information

None

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	20.00	ACUITE BBB+ / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2 (Assigned)

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About Acuité Ratings & Research:

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