

Press Release

Primatel Fibcom Limited (Erstwhile Prima Telecom Limited)

October 20, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.98	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	5.02	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB+**' (read as **ACUITE Double B plus**) and the short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.40.00 Cr. bank facilities of Primatel Fibcom Limited. The outlook is '**Stable**'.

Rationale for downgrade

The rating has been downgraded on account of decline in scale of operations and stretch in working capital operations. Company has registered decline in revenues year on year wherein operating income has dropped from Rs. 135.82 Cr in FY 2020 (Audited) to Rs. 116.60 Cr in FY 2021 (Audited) and further declined to Rs. 35.80 Cr in FY 2022 (Provisional). GCA days have stretched from 420 days in FY 2020 to 447 days in FY 2021 and stood at 1255 days in FY 2022 due to year on year increase in inventory and debtor period. Going forward, addition to executable order book depicting revenue visibility and liquidity position will remain key rating sensitivities.

About the Company

Primatel Fibcom Limited (erstwhile Prima Telecom Limited), based in Delhi, is a part of the Telecom Division of the Suri Group. It was incorporated in the year 1995 as a limited company. The company is engaged in the manufacturing of telecom equipment such as Modem, Multiplexers, Converters, UBR Radio and Prefab shelters. The present Directors of the company are Mr. Jai Krishan Aggarwal, Mr. Rajiv Kumar Agarwal, Ms. Swati Birdi, Mr. Vijayveer Singh and Mr. Mahesh Narain Saxena.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Primatel Fibcom Limited 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. In 2021 Primatel Fibcom Limited was formed by amalgamation of Prima Telecom Limited and Fibcom India Limited. Both the entities were in the same line of business prior to amalgamation with common management hence the promoters merged the entities to synergize the operations. This merger was done through NCLT and the order was passed in May 2021. Company has received extensive group support in form of intercorporate deposits and investment in debentures rolled out by Primatel Fibcom Limited.

Improved Profitability

Company's operating margins has improved since because of amalgamation the company's employee, finance and administrative cost has come down. EBITDA margin has improved from 17.75% in FY 2020 to 23.98% in FY 2021 and further improved to 24.31% in FY 2022. Since the company has high depreciation cost PAT margins are low.

Weaknesses

Working Capital Management

Company's operations are working capital intensive marked by high GCA days. GCA days have increased year on year from 420 days in FY 2020 to 447 days in FY 2021 and stood at 1255 days in FY 2022. High GCA days is a result of high inventory and debtor period. Disruptions in operations along with decline in sales in FY 2022 has led to stuck inventory resulting in sudden increase in inventory period to 748 days. Debtor days have increased to 626 days in FY 2022 since one customer i.e. Railtel has delayed payment of around Rs. 22-25 Cr for a project of Rajasthan government. Similarly creditor period has jumped to 239 days in FY 2022 the rise in creditor days is the payment to suppliers that is to be done against Railtel project for which major portion of debtors is pending. Company plans to file litigation in courts for this amount soon. This all has put stress on working capital requirements. Company sold off part of a property in FY 2022 and earned Rs. 24 Cr as capital gain to support liquidity. Bank limit utilization has remained high at 99.82% on a consolidated level between February 2022 to July 2022. Company has reduced its working capital limits from banks in the recent times.

Financial Risk Profile

Net worth of the company is negative since intangible assets which have come as a result of amalgamation have been adjusted. Unadjusted net worth in FY 2022 comes to around Rs. 65 Cr which amounts to 1.92 times of debt/equity. Gearing has improved in the recent times since the company has reduced its limits from banks. Working capital limits have declined year on year. Total debt of Rs. 125.11 Cr consists of Rs. 10.00 Cr of Optionally convertible debenture with coupon rate of 6.50% payable at maturity having tenure of 10 years, Rs. 66.17 Cr of intercorporate deposits and Rs. 48.94 Cr of working capital borrowings. Interest coverage ratio stood at 2.12 times in FY 2022. Going forward the increase in scale of operations will remain a key monitor able that will support financial risk profile.

Decline in scale of operations

Since FY 2020, company's operating income is on a downtrend. From earning revenue of Rs. 135.82 Cr in FY 2020 (Audited), company's operating income dipped to Rs. 116.60 Cr in FY 2021 (Audited) and further declined to Rs. 35.80 Cr in FY 2022 (Provisional). Decline in revenue was majorly because of covid since because of the disruptions created by covid telecom operators didn't roll out new tenders in market. Also manufacturing facility was transferred from one site to another because of this transitional activity operation were down for 4-5 months which also contributed to decline in revenues. This shifting happened around November 2021. As of now, company has an unexecuted order book position of Rs. 180 Cr which is to be executed by February of 2024.

Rating Sensitivities

Scale of operations.
Liquidity.

Material covenants

None.

Liquidity Position

Stretched

Company's liquidity position is stretched. Company is making cash profits on the back of high depreciation cost and expected to make cash profits in the near term against making net losses. Limit utilization is high at 99.82% and fixed deposits are lien marked. Company had unencumbered cash and bank balance of Rs. 2.37 Cr in FY 2022.

Outlook: Stable

Acuité believes that Primatel Fibcom Limited 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.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	35.80	116.60
PAT	Rs. Cr.	1.20	(8.57)
PAT Margin	(%)	3.34	(7.35)
Total Debt/Tangible Net Worth	Times	(6.44)	(4.21)
PBDIT/Interest	Times	2.12	2.16

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

CARE wide its press release dated 30th September 2021 has mentioned rating of Prima Telecom Limited (Presently: Primatel Fibcom Limited) as CARE B+/Stable/A4 INC.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Jan 2022	Letter of Credit	Short Term	20.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
25 Jun 2020	Cash Credit	Long Term	20.00	ACUITE BBB Negative (Downgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Downgraded from ACUITE A2)
09 Apr 2019	Letter of Credit	Short Term	20.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	4.28	ACUITE A4 Downgraded
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.74	ACUITE A4 Downgraded
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB- Stable Downgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.10	ACUITE BB- Stable Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.38	ACUITE BB- Stable Downgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Shreyansh Singh Analyst-Rating Operations Tel: 022-49294065 shreyansh.singh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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