



Rating Rationale

RST Infocom Private Limited

12th October 2017

Brickwork Ratings assigns BWR B+ & BWR A4 for the Bank Loan facilities of Rs. 7.75 Crs of RST Infocom Pvt. Ltd (RIPL or 'the company')

Particulars

Facility Rated	Amount (Rs. Crs)#	Tenure	Rating [^]
<u>Fund Based</u> Cash Credit	3.75	Long Term	BWR B+ (Pronounced BWR Single B Plus) Assigned Outlook: Stable
<u>Non Fund Based</u> Bank Guarantee*	4.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	7.75 (INR Seven Crores and Seventy Five Lakhs Only)		

* Bank Guarantee interchangeable with Letter of Credit of Rs. 4.00 Crs (subject to maximum ceiling on LC for Rs. 1.00 Cr)

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY16, provisional financials for FY17, publicly available information and information/clarifications provided by the management.

The ratings draw comfort from the business experience of the promoters in the telecommunication services industry and established relationships with customers. The ratings, however, are constrained by the small scale of operations, low proprietor's capital, thin profitability, exposure to risks due to tender based business and fragmented and competitive nature of the industry.

Going forward, the ability of the Concern to increase its scale of operations, improve profitability and manage its working capital effectively would be the key rating sensitivities.



Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

- **Experienced Management and established relationship with its customers and suppliers:** The directors have experience of around two decades in the telecom industry. The company has established healthy relationships with its key customers and suppliers.
- **Small scale of operations:** The firm's scale of operations has remained low for the last 3 years with Total Operating Income of Rs 9.82 Crs in FY15, Rs. 11.33 Crs in FY 16 and Rs. 13.98 Crs in FY17 (provisional). The small scale of operations restricts the company's bargaining power while bidding for orders and limits its presence in the telecom industry.
- **Thin Profitability:** Small scale of operations and high operating expenses have resulted in thin profitability.
- **Exposure to risks due to tender based business:** Tender based process of acquiring contracts exposes the company to fluctuations in revenue and profit margins.

Rating Outlook: Stable

BWR believes 'RIPL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

RST Infocom Pvt. Ltd. was incorporated in 2009 at Allahabad, Uttar Pradesh. It is engaged in telecom infrastructure services business which includes setting up optical fiber cables, copper cables and micro cables and maintenance of the network and associated equipment. The company has two associate entities namely RST Infrastructure Pvt. Ltd. and RST Semiconductors Pvt. Ltd.

Mr. Sanjay Singh and Mr. Rakesh Singh are the directors.

Financial Performance

The Company reported Total Operating Income of Rs. 11.33 Crs and Net Profit of Rs. 0.34 Cr for FY16 as against Total Operating Income of Rs. 9.82 Crs. and PAT of Rs. 0.50 Cr for FY 15. On a provisional basis, for FY17, the concern reported Total Operating Income of Rs.13.98 Crs.



Tangible Networth was Rs 2.65 Crs and Total debt was Rs.2.54 Crs as on March 31 2016 (A). Current ratio was adequate at 1.23 times as on March 31 2016 (A).

Rating History for the last three years:

Instrument/ Facility	Current Rating (October 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
<u>Fund Based</u>						
Cash Credit	Long Term	3.75	BWR B+ (Pronounced BWR Single B Plus) (Outlook:Stable) Assigned	Not Rated	Not Rated	Not Rated
<u>Non Fund Based</u>						
Bank Guarantee	Short Term	4.00	BWR A4 (Pronounced BWR A Four) Assigned	Not Rated	Not Rated	Not Rated
Total		7.75	(INR Seven Crores and Seventy Five Lakhs Only)			

Status of non-cooperation with previous CRA : Nil

Any other Information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Short Term Debt](#)
- [Infrastructure sector](#)
- [Approach to Financial Ratios](#)



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Annexure I – Details of Rated Facilities

Name of Bank	Bank Facilities	Type of Facility	Tenure	Amount (Rs. Crs)
Punjab National Bank Allahabad, Uttar Pradesh	Cash Credit	Fund Based	Long Term	3.75
	Bank Guarantee	Non Fund Based	Short Term	4.00
Total				7.75

Annexure II

Key Financial Indicators

	FY16 (A)	FY17 (Provisional)
Income (Rs. Cr)	11.33	13.98
EBITDA (Rs. Cr)	0.95	1.49
PAT (Rs. Cr)	0.34	0.39
Tangible Networth (Rs Cr)	2.65	3.04
Total Debt: TNW (Times)	0.96	1.40
Current Ratio (Times)	1.23	1.34



For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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