Rating Rationale

Brickwork Ratings reaffirms 'BWR BB' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 4.65 Cr to Airwave International Private Limited.

On an annual review , Brickwork Ratings (BWR) has reaffirmed the following **Ratings**[1] for the Bank Loan Facilities by State Bank of India to Airwave International Private Limited ('AIPL' or 'the Company'), previously rated as 'BWR BB' & 'BWR A4' in September,2013. The presently rated amount is ₹ 4.65 Cr, as detailed below.

Facilities (Existing)	Limits (₹ Cr)	Tenure	Ratings
Cash Credit	**1.00**	**Long Term** (Fund Based)	**BWR BB** (Pronounced BWR Double B) **Outlook: Stable (Reaffirmed)**
Stand By Line of Credit	**0.15**		
Letter Of Credit	**2.00**	**Short Term** (Non- Fund Based)	**BWR A4** (Pronounced as BWR A Four) **(Reaffirmed)**
Bank Guarantee	**1.50**		
Total	**4.65**	**(INR Four Crores and Sixty Five Lakhs only)**	

BWR has principally relied upon the audited financial results up to FY14 & projections of FY15, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, experience of the promoters in this line of business, substantial increase in net sales & PAT (mainly due to other operating income of Rs 1.24 Crs), low gearing and accelerated demand of smart phones. Rating has also considered Company's association with Apple to sell its smart phones. However the rating is constrained by limited track record (3 years), low net worth, intense competition from other similar players and low value addition which leads to low net profit & operating profit margins.

Background:

Airwave International Private Limited (AIPL) was incorporated in 2011. Prior to 2011 it was a partnership firm as Airwave International, doing similar business and was converted to private limited company with same partners as management on Board of AIPL. AIPL is a distributor for Smart Phones, mainly deals in Samsung, Sony, HTC and Blackberry. Other product portfolio

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

includes recharge plus, gadget cleaner from Luxor, IT products for Lenovo and HP, prepaid mobile broad band for Idea and MTS and prepaid cards for Vodafone. AIPL is a B2B company in north India except for some parts of Rajasthan where it is B2C. Company's corporate office is located in Noida, Uttar Pradesh with a build-up area of 3000 sq. ft. which includes a storage facility adjacent to the Noida office with a build-up area of 1000 sq. ft. The Company has branch offices in Punjab, Gurgaon, Lucknow, Delhi, Kolkata, Mumbai, Rajasthan and Bangalore which serves as office cum storage units.

Key Updates: AIPL got associated with Apple in February, 2014 and now can trade Apple smart phones. Future prospects of the Company includes, opening of Apple service centres. It is adding up more brands and increasing its presence pan- India. The Company also has plans to spread across the globe, starting with Singapore which will commenced by this calendar year, then moving on to USA and other countries gradually. AIPL is diversifying in other sectors, like food processing, waste management etc., which will become operational within next couple of years. AIPL will work towards becoming a Public Limited concern by 2016. All these activities would be carried out under the same brand name of Airwave International Pvt Ltd.AIPL is going to put an NGO operational by this year-end for the upliftment of the Below Poverty Line by way of Corporate Social Responsibility initiatives.

Management Profile:

Mr. Rajesh Kapoor is the chairman and MD of Airwave International Private Limited. He is an MBA from FMS, Delhi University and has a professional experience of 33 Years in the telecom infrastructure.

Mrs. Vaani Kapoor is MBA from ICFAI University, Hyderabad and PhD in Economics from University of Delhi. She has a professional experience of 4 Years and handles the entire commercial (Strategies), administration and HR activities of the group.

Financial Performance:

As per the audited results of FY14, Company reported net operating Income of Rs 70.39 Crs. The net profit margins have increased from 0.47 % in FY13 to 1.05 % in FY14. The tangible net worth of the Company stood at Rs 3.71 Crs in FY14 which includes Rs 1.00 Crs as share application money pending allotment. The Interest Service Coverage ratio for FY14 is 4.26 times. Day's payable and Day's receivable stood at 16 and 12 days respectively for FY14.

Key Updates: As per audited figures furnished, the top line has increased by 85.04 % from Rs 38.04 Crs in FY13 to Rs 70.39 Crs in FY14. The growth is driven mainly by increased quantity of traded goods with its increased distribution reach and due to their association with brands like Samsung and Apple. The operating margins have increased from 1.32 % in FY13 to 2.14 % in FY14. PAT has increased from Rs 0.18 Crs in FY13 to Rs 0.75 Crs in FY14 mainly due to increase in sales and other operating income of Rs 1.24 Crs in FY14. The ratio of Total Debt: Tangible Net worth was low at 0.50 X in FY14. As reported by the Company, it has sustained the growth during the first quarter of FY15.

Rating Outlook:

The outlook of the Company is expected to be stable during the current year. Company's ability to sustain its expanding scale of operations, improve its margin levels, infuse more funds for future growth and manage its inventory and working capital efficiently would be key rating sensitivities.

The proposed diversification into unrelated areas may result in strain on the working of this Company (AIPL), especially since it still has to go through a full cycle, and given that the expansion in scale is presently not adequately matched by requisite capital infusion. The capability of the Company to meet the challenges of high obsolescence also has still to be tested. These factors would also impact the performance of AIPL.

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