

Brickwork Ratings revises the long term rating for the Bank Loan Facilities of ₹. 6.15 Crores of C-Net Infotech Pvt. Ltd.

Particulars

Facility**	Amount (₹ Cr)		Tenure	Previous Rating (October,2019)	Rating Recommended
	Previous	Present			
Fund Based	4.45	5.25	Long Term	BWR D Issuer Not Co-operating Downgrade	BWR D
Non-fund Based	3.00	0.90	Short Term	BWR D Issuer Not Co-operating Downgrade	BWR D
Total	7.45	6.15	INR Six Crores Fifteen lakhs only.		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION / OUTLOOK

Brickwork Ratings has revised the rating as BWR D for the Bank Loan Facilities of ₹ 6.15 crores of C-Net Infotech Pvt. Ltd. According to Banker Feedback received, there have been instances of delays of interest payments in past, over drawings and often there is invocation of Bank Guarantee with Punjab National Bank . Currently, as per banker feedback, the company has not paid their interest for the month of Oct 2020.As per Banker Feedback of Punjab National Bank , the company has been classified as NPA with other Lender accounts. There is possibility of likelihood of default with facilities of Punjab National Bank.

Key Rating Drivers

BWR has essentially relied upon the audited financial statements of C-Net Infotech Pvt. Ltd. of FY17,FY18,FY19, Provisionals of FY20 and Projections of FY21,22 publicly available information and information / clarifications provided by the entity’s management. The rating draws strength from the vast business experience of the promoters,locational advantage, covid Impact,moderate current ratio,moderate gearing.The rating is constrained to Aggressive competition from other established players, Risk related to tender driven business, delays in servicing of Debt Obligation

Going forward, the ability of the entity to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities

Description of Key Rating Drivers

- **Credit Strengths:**
- **Long track record of operations with experienced and qualified management-**The company was incorporated in 1998 and hence, has a track record of more than two decades in the industry. Mr. Pravir Krishak, Director, M.Tech by qualification, has vast experience of 25 years in the industry and looks after over affairs of the company. Mrs. Leena Krishak, Director, MBA by qualification and have 15 years of experience in the industry and looks after HR functions of the company. The promoters are also running group companies i.e. C-Net Global Technosoft Pvt. Ltd., Cyspae Technosoft Pvt. Ltd. and C-Net Digital Pvt. Ltd. which are engaged in the same line of business.
- **Moderate Gearing Moderate-** Total debt/ TNW and TOL/TNW standing at 0.38x and 0.75x in FY20 as compared to 0.36x and 0.70x in FY19 as against 0.38x and 0.77x respectively in FY18.
- **Modest coverage-** Modest coverage with ISCR and DSCR standing at 1.89x and 1.06x in FY20 as compared to 1.47x and 0.87x in FY19 as compared to ISCR and DSCR standing at 2.26x and 1.30x.
- **Moderate profitability-** Moderate profitability with NPM and OPM standing at 2.67% and 6.11% in FY20 as compared to 1.46% and 4.54% in FY19 as compared to NPM and OPM standing at 2.91% and 6.40% in FY18 .
- **Moderate current ratio-** Moderate current ratio with 1.80x in FY20 as it improved compared to 1.82x in FY 19 as against Current ratio of 1.61x but comfortable.
- **Credit Risks:**
- **Aggressive competition from other established players -** C-net operates in a highly competitive and fragmented Information Technology (IT) and IT enabled service (ITeS) industry with presence of few organized players having established brand name and many unorganized players.
- **Risk related to tender driven business-** The contracts of central and state government bodies are awarded through tender bidding system and the companies have to submit competitive prices to get the orders. This restricts the bargaining power of the applicants

and also puts limitation on profitability.

- **Problem in Conduct of account** - According to Banker Feedback received, there have been instances of delays of interest payments in past, overdrawings and often there is devolvement of Bank Guarantee with Punjab National Bank . Currently, as per banker feedback, the company has not paid their interest for the month of Oct 2020.As per Banker Feedback of Punjab National Bank , the company has been classified as NPA with other Lender accounts.

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).

Rating Sensitivities

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.

Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely

About the Company

Incorporated in 2003, KOPL manufactures soya oil, oil cakes and de oil cakes. It is also engaged in the trading of soya seeds and grains. Its solvent extraction plant is located in Morena, Madhya Pradesh. The company is under the leadership of Mr. Ramesh Bansal and Mr. Sachin Goyal.

Liquidity Position:

The average CC utilization for the last 5 months stands at 100.23 & 94.01% . The cash and cash equivalents stand at Rs. 0.02 crs in FY20 as compared to Rs. 0.01crs in FY19 as against Rs.0.01crs in FY18 . The current ratio stands at 1.80x in FY20 as against 1.82x in FY19 as compared to 1.61x in FY18 . The Net Cash Accruals to Long term debt stand stagnant at 0.08x in FY20 and it improved as compared to 0.05x in FY19. ISCR and DSCR stand at 1.89x & 1.06x respectively in FY20 as compared to 1.47x & 0.87x in FY19.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY18
Result Type		Audited	Audited
Total Operating Income	(in ₹ Cr)	24.06	27.34
EBITDA	(in ₹ Cr)	1.09	1.75
PAT	(in ₹ Cr)	0.35	0.80
Tangible Net Worth	(in ₹ Cr)	25.67	25.22
Tangible Net Worth (Analyzed)	(in ₹ Cr)	27.36	26.44
Total debt/ Tangible Net Worth	Times	0.36	0.38
Current ratio	Times	1.82	1.61

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History				
	Tenure	Amount (₹ Cr)	Rating	2019			2018	2017
Fund Based	Long Term	5.25	BWR D	Long Term	4.45	BWR D Issuer Not Co-operating Downgrade	-	-
Non Fund Based	Short Term	0.90	BWR D	Short Term	3.00	BWR D Issuer Not Co-operating Downgrade	-	-
Total		6.15	INR Six Crores Fifteen lakhs only.					

Status of non-cooperation with previous CRA (if applicable)-CARE D Issuer Not Cooperating as on 17th March 2020

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

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C-Net Infotech Pvt. Ltd.

Annexure-I

Name of the Bank	Facility	Tenure	Amount (₹ Crores)
Punjab National Bank Branch- Nehru Nagar Branch	Cash Credit- 1	Long Term	4.25
	Cash Credit- 2		1.00
	Bank Guarantee	Short term	0.90
Total	INR Six Crores Fifteen lakhs only.		6.15

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