

Rating Rationale

Brickwork Ratings assigns rating at “BWR B” (Outlook: Stable) for the proposed Bank Loan Facilities amounting to ₹40.00 Cr of JAK Communications Private Limited

Brickwork Ratings has assigned **Ratings¹** for the proposed bank loan facilities amounting to ₹40.00 crores (INR Forty Crores Only) of JAK Communications Private Limited (“JCPL” or the “Company”) as follows:

Facility	Present Limits (₹Cr)	Tenure	Rating
Foreign Letter of Credit - FLC (Proposed–18 Months) (Non-fund based)	40.00	Long Term	BWR B (Pronounced BWR Single B) (Outlook: Stable)
Total	40.00	INR Forty Crores Only	

BWR has essentially relied upon the audited financial results of FY15, provisional financial result of FY16, projected financials of JAK Communications Private Limited up to FY17, publicly available information and information/clarification provided by the Company’s management.

The rating draws strength from the experience of the promoters, strong net worth, satisfactory liquidity position, adequate cash position and lower gearing ratio.

However, the rating is constrained by low and continuous decline in the revenue of the company, consecutive three years losses which has resulted decline in the net worth, highly regulated industry and fragmented industry.

Background

JAK Communications Private Limited was incorporated as a private limited company in the year 2002. Its registered office is at Anna Nagar East, Chennai (Tamil Nadu). Mr. Kamallesh Jayaraman and Ms. Jayaraman Kalaiselvi are the promoters of the company. Currently, the company is providing MSO (Multi System Operator) services in Cable T.V industry in Chennai Metro Politian area. JCPL has got DAS (Digital Addressable System) license from the Ministry of Information & Broadcasting Government of India to operate in the State of Tamil Nadu & Pondicherry.

In additiona, JCPL has 300 kms of underground optical fiber link taken on 10 yrs lease from Indian railways (Rail Tel) that enables the company to provide high quality digital cable TV services. JCPL has an extensive distribution network that operates all across key strategic areas of the Chennai Metropolitan Area to ensure wide market coverage. The company has a network of approx. 400 local cable operators. The company distribute its feed to the local cable operators who distribute the signals to the customers or connection holders. The company is running the business with 50 staffs which includes both technical and non-technical staff.

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

Financial Performance:

Revenues of the company have declined to ₹4.17 crs in FY15 as against ₹8.78 crs in FY14. During FY15, the company has incurred loss ₹7.18 crs. Tangible networth (analysed) of the company stood at ₹34.56 crs as on 31st March, 2015.

As per provisional financials of FY16, the company has achieved a total operating income of ~₹3.56 Crs.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of the company to increase its scale of operations, profitability and reduce receivables days would be the key rating sensitivities.

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