



## Rating Rationale

Pawan Communications Pvt Ltd

7 Nov, 2017

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 7.00 Crs of Pawan Communications Pvt Ltd ('PCPL' or the 'Company')**

### Particulars

Bank Facilities	Type of Facility	Tenure	Limits to be Rated(₹ Crs)	Previous Ratings	Ratings
CC	Fund Based	Long Term	3.00	BWR BB- Outlook Stable (BWR Double B minus)	BWR BB Outlook Stable (BWR double B) upgraded
BG	Non Fund Based	Short Term	4.00	BWR A4 (BWR A Four)	BWR A4+ (BWR A Four Plus) upgraded
<b>Rated Amount</b>			<b>7.00</b>	<b>Seven Crores only</b>	

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

### Rating Upgraded: BWR BB for Long Term and BWR A4+ for Short Term

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company up-to FY17, provisional financials of the company, projections up-to FY19 and publicly available information and information/clarifications provided by the management.

The Ratings continue to factor in extensive experience of the promoters in telecom infrastructure industry, group support from Mukand Group, adequate net worth in comparison to scale of operation, establishing marketing and distribution network, consistent growth in revenue, long standing relationship with customers and suppliers, comfortable ISCR. The ratings are however constrained by the relatively moderate small scale of operations with low profitability, fragmented and competitive nature of the industry, highly regulated telecom sector, pricing constraints and margins pressure. Going forward, the Company's ability to scaling up operations while improving profit margin, sustain working capital management would remain the key rating sensitivities.

#### Rating Outlook: Stable

BWR believes the Pawan Communications Pvt Ltd'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.

## Key Rating drivers

### Credit strengths

- **Experience of promoters:** The promoters of the Company have long experience in the telecom industry. Mr. Rishi Gupta, key promoters of the Company, have more than 2 decades of business experience in the same line of business.
- **Comfortable Coverage Metrics:** In FY17, Debt Protection Metrics of the Company remained comfortable at ISCR at 4.47x. .
- **Clientele Base:** The Company has diversified customer and supplier base. They are doing business with ease since 2009. The clientele group comprises of Reliance Corporate IT Park Ltd, Reliance Jio Infratel Ltd, Idea Cellular Pvt Ltd and Bharti Airtel Ltd.

### Credit Weaknesses

- **Working Capital Intensive:** The business of the Company is working capital intensive and the inventory holding period is high.
- **Stretched Capital Gearing Ratio and Liquidity Ratio:** The debt to equity ratio and current ratio of the Company stood at 0.64x and 1.25x in FY17 (Provisional). High trade receivables and payables resultant liquidity constraints.
- **Fragmented Industry:** The telecom industry is highly fragmented resulting in stiff competition and profitability is vulnerable to fluctuations in order composition.

## About the Company

Based in Assam, Pawan Communications Pvt Ltd was incorporated in 2009. The registered office of the Company is located at Guwahati, Assam. The Company is being promoted by Mr. Rishi Gupta and Mrs. Anita Gupta. The Company is engaged into the business of turnkey projects for the laying of OFC (Optical Fibre Cable) Network, pipes and ducts in the entire Assam and North east region. The Company have three associate concerns- Mukand System and Networks Pvt Ltd, Mukand Infrastructure Pvt Ltd and Mukand Poly Products which undertakes various business activities. The operating model of the Company is based on confirmed purchased order from different Government and private bodies. Some of the major clientele of the Company are Reliance Corporate IT Park Ltd, Reliance Jio Infratel Ltd, Idea Cellular Pvt Ltd and Bharti Airtel Ltd.

## Financial Performance



As per the provisional financial FY17, the net profit of the Company has shown a growth from ₹ 0.92 Crores in FY16 to ₹ 1.32 Crores in FY17. The Company has reported Revenue of Rs. 33.98 Crores in FY17 against Rs. 29.55 Crores in FY16. Tangible net worth of the Company has increased from ₹ 11.68 Crores in FY16 to ₹ 13.00 Crores in FY17 on account of retention of profit.

**Rating History for the last three years:**

Sl No	Instrument/ Facility	Current Rating (October, 2017)			Rating History		
		Type	Amount (Rs. Crore)	Rating	2016	2015	2014
1.	Cash Credit	Long Term	3.00	BWR BB (Stable) upgraded	Rating not Reviewed	BWR BB-	NA
5.	Bank Guarantee	Short Term	4.00	BWR A4+ upgraded	Rating not Reviewed	BWR A4	NA
Total			7.00	Seven Crores only			

**Status of non-cooperation with previous CRA:** India Ratings and Research has published PCPL long-term issuer rating to the non-cooperating category.

**Any other information:** Not Applicable  
**Hyperlink/Reference to applicable Criteria:**

- [General Criteria](#)
- [Manufacturing Sector](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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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**Pawan Communications Pvt Ltd**  
**Bank Facilities**  
**Annexure I**

Nature of all facilities			( Rs in Crore )
Bank Name	Facilities	Existing Limits	Amount to be Rated
Canara Bank	Cash Credit	3.00	3.00
	Bank Guarantee	4.00	4.00
Total		7.00	7.00

**Annexure II**  
**Key Financial Indicators**

	FY16(Audited)	FY17(Provisional)
<b>Net Sales/ Revenues (Rs. Cr)</b>	<b>29.55</b>	<b>33.98</b>
<b>EBIDTA (Rs. Cr)</b>	<b>2.76</b>	<b>3.47</b>
<b>PAT (Rs. Cr)</b>	<b>0.92</b>	<b>1.32</b>
<b>Tangible Networth (Rs. Cr)</b>	<b>11.68</b>	<b>13.00</b>
<b>Total Debt : TNW (Times)</b>	<b>1.04</b>	<b>0.64</b>
<b>Current Ratio (Times)</b>	<b>1.17</b>	<b>1.25</b>