

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for the Bank Loan Facilities of ₹ 10 Cr for Airwave International Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of ₹ 10 Cr for Airwave International Private Limited.

Proposed Facility	Tenure	Amount (₹ Cr)	Rating
<b><u>Fund Based</u></b> <b>Cash Credit Limit</b>	<b>Long Term</b>	<b>1.15</b>	<b>BWR BB</b> (BWR Double B ) <b>Outlook - Stable</b>
<b><u>Non Fund Based</u></b> <b>Bank Guarantee</b>	<b>Short Term</b>	<b>8.85</b>	<b>BWR A4</b> (BWR A Four)
<b>Total</b>		<b>10.00 (INR Ten Crores only)</b>	

BWR has principally relied upon the audited financial results from FY11 till FY13, projected financials of FY14 of *Airwave International Private Limited*, publicly available information and information/clarification provided by the management.

The rating has factored, inter alia, substantial increase in net sales volume, promoter's experience in the same line of business and increase in demand for smart phones. However, the rating is constrained by limited track record (2 years), low net worth, low value additive products with minimum entry barriers and thin operating/ net margins.

#### Background:

Airwave International Private Limited (AIPL) was incorporated in 2011. Prior to 2011 AIPL 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.

The company's corporate office is located in Noida, Uttar Pradesh with a build-up area of 3000 sq. ft. with a team of 40 employees. Also 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.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Management Profile:

Mr Rajesh Kapoor is chairman & MD of Airwave International Pvt Ltd. He is an MBA from FMS, Delhi University & has professional experience of 32 yrs. in telecom infrastructure.

Ms Vaani Kapoor is MBA from ICFAI University, Hyderabad and PhD in Economics from University of Delhi. She has a professional experience of 3 Years and handles the entire commercial (Strategies), administration and HR activities of the group.

### Business Operations:

AIPL is a distributor for Smart Phones majorly of Samsung, Sony, HTC and Blackberry. Other product portfolio 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.

### Future Plans:

The company has aggressive growth plans. Currently is in the process of agreement with ZTE China, for their all India distribution.

### Financial Performance:

As per the audited results of FY13, AIPL has reported PAT of Rs0.18 Cr on a total operating income of Rs38.04 Cr's. The company's net operating Income has increased substantially from Rs9.24Cr in FY12 to Rs38.04 Cr's in FY13. The net profit margins have declined from 1.02 % in FY12 to 0.47 % in FY13. The tangible net worth of the company stood at Rs1.95 Cr in FY13. The Interest Service Coverage ratio and Debt Service Coverage ratio for FY13 is 2.35 and 1.90 times respectively. Day's payable and Days receivable stood at 19 and 8 days respectively for FY13.

### Rating Outlook

Ratings have factored in promoter's experience in the same line of business and low finance leverage. However, the ratings are constrained by limited track record and low entry barriers. The company's ability to improve its margin levels and infuse more funds for future growth would be key rating sensitivities. Company's performance over the next year is expected to remain stable.

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<b>Crores</b>	<b>31-03-2010</b>	<b>31-03-2011</b>	<b>31-03-2012</b>	<b>31-03-2013</b>	<b>31-03-2014</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Provisional</b>	<b>Projections</b>
Gross Sales	1.45	2.83	25.05	26.90	32.00
<b>Net Sales</b>	<b>1.45</b>	<b>2.83</b>	<b>25.05</b>	<b>26.90</b>	<b>32.00</b>
Other Operating Income	0.03	0.02	1.84	3.69	4.24
<b>Total Operating Income</b>	<b>1.48</b>	<b>2.85</b>	<b>26.89</b>	<b>30.58</b>	<b>36.24</b>
<b>Operating Expenses</b>	<b>1.42</b>	<b>2.70</b>	<b>26.04</b>	<b>29.44</b>	<b>34.63</b>
<b>Operating Profit Before Depreciation, Interest and Taxes</b>	<b>0.06</b>	<b>0.15</b>	<b>0.85</b>	<b>1.15</b>	<b>1.61</b>
Depreciation/Amortization/Impairment	0.00	0.00	0.04	0.03	0.02
<b>Operating Profit Before Interest and Tax</b>	<b>0.06</b>	<b>0.15</b>	<b>0.82</b>	<b>1.12</b>	<b>1.59</b>
Interest and Finance Charges	0.01	0.05	0.32	0.25	0.69
<b>Operating Profit Before Tax</b>	<b>0.05</b>	<b>0.09</b>	<b>0.50</b>	<b>0.87</b>	<b>0.90</b>
Non Operating Income(Expenses)	(0.01)	-	(0.02)	(0.23)	(0.05)
<b>Profit Before Tax</b>	<b>0.04</b>	<b>0.09</b>	<b>0.48</b>	<b>0.63</b>	<b>0.85</b>
<b>Adjusted Profit After Tax(Continuing Operations)</b>	<b>0.04</b>	<b>0.09</b>	<b>0.48</b>	<b>0.63</b>	<b>0.85</b>
Adjusted Profit After Tax(Discontinuing Operations)	-	-	-	-	-
<b>Adjusted Profit After Tax</b>	<b>0.04</b>	<b>0.09</b>	<b>0.48</b>	<b>0.63</b>	<b>0.85</b>

## Annex 2: Balance Sheet

Crores	31-03-2010	31-03-2011	31-03-2012	31-03-2013	31-03-2014
<b>EQUITY AND LIABILITIES</b>	<b>0.06</b>	<b>0.27</b>	<b>0.66</b>	<b>1.23</b>	<b>2.00</b>
Share capital	0.02	0.18	0.18	0.60	1.15
Reserves and Surplus	0.04	0.09	0.48	0.63	0.85
<b>Non-current liabilities</b>	<b>0.02</b>	<b>0.02</b>	<b>0.17</b>	<b>0.02</b>	<b>0.02</b>
Long-Term Borrowings	0.02	0.02	0.17	0.02	0.02
<b>Current liabilities</b>	<b>1.51</b>	<b>2.70</b>	<b>22.61</b>	<b>27.14</b>	<b>20.72</b>
Short-Term Borrowings	0.20	0.46	2.95	11.10	15.00
Trade Payables	1.32	2.24	19.64	16.03	5.70
Other Current Liabilities	-	-	0.02	0.02	0.02
<b>Total Liabilities</b>	<b>1.58</b>	<b>2.99</b>	<b>23.44</b>	<b>28.39</b>	<b>22.73</b>
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>0.03</b>	<b>0.04</b>	<b>0.79</b>	<b>1.46</b>	<b>1.44</b>
Net Fixed assets	0.02	0.02	0.19	0.16	0.14
Non Current Investments	0.01	0.02	0.60	1.30	1.30
<b>Current assets</b>	<b>1.55</b>	<b>2.94</b>	<b>22.65</b>	<b>26.93</b>	<b>21.30</b>
Current Investments	-	-	-	4.08	4.08
Trade Receivables < Six Months	0.79	2.74	19.52	18.25	11.33
Cash and Cash Equivalents	0.01	0.02	0.04	0.49	0.04
Short-Term Loans and Advances	0.71	0.13	1.79	4.10	5.50
Other Current Assets	0.05	0.06	1.29	-	0.35
<b>Total Assets</b>	<b>1.58</b>	<b>2.99</b>	<b>23.44</b>	<b>28.39</b>	<b>22.73</b>