

December 09, 2025

Commtel Networks Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Cash credit	185.00	185.00	[ICRA]A (Positive); reaffirmed and outlook revised to Positive from Stable
Long term/Short term - Interchangeable limits - Others	(185.00)	(185.00)	[ICRA]A (Positive)/[ICRA]A2+; reaffirmed and outlook revised to Positive from Stable
Long term/Short term - Unallocated limits - Unallocated limits	50.00	50.00	[ICRA]A (Positive)/[ICRA]A2+; reaffirmed and outlook revised to Positive from Stable
Total	235.00	235.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has considered the consolidated financials of Commtel Networks Limited (CNL) with its UAE-based subsidiary Commtel Networks FZC (CNFZC) while assigning the credit ratings, given their common management and significant operational linkages. The change in the outlook to Positive reflects ICRA's expectation of sustained revenue growth, supported by a robust order book and healthy profitability, which underpin a strong credit profile over the medium term. The company's scale of operations has been expanding steadily, aided by consistent order inflows, along with an improvement in liquidity, evident from the adequate cash reserves and unutilised working capital limits. The total operating income increased 40% YoY in FY2025 to Rs. 639.25 crore, driven by a significant growth in overseas orders with enhanced focus on the West Asian and US markets. Further, the company's operating margins increased significantly to 22.52% in FY2025, driven by the higher share of EPC contracts. As on September 30, 2025, the order book stood at approximately Rs. 800 crore, providing visibility for near-term revenue growth. The ratings derive comfort from CNL's sound financial metrics, including operating margins in the range of 15-18%, an interest coverage ratio exceeding 8 times in FY2025, and a debt-to-OPBDITA ratio of 0.95 times as on March 31, 2025. These indicators are expected to remain strong, going forward. The company benefits from an established track record in executing turnkey projects, experienced promoters and long-standing relationships with reputed domestic and international clients, which support repeat business.

The ratings, however, remain constrained by the moderate scale of operations (~40% YoY growth in OI in FY2025) and high customer and sectoral concentration, with 80-85% of the revenues derived from the oil and gas segment, exposing the company to sector-specific risks. Additionally, the business model is inherently working capital intensive due to extended execution cycles and milestone-based payment terms, although the inventory levels have moderated following the adoption of the percentage-of-completion revenue recognition method.

ICRA also notes that CNL is in the process of launching an IPO of Rs. 900 crore (Rs. 750 crore through offer for sale and Rs. 150 crore as primary infusion), which is expected to strengthen its capital structure and support the debt repayment. The proposed listing, targeted within the current fiscal, is likely to enhance its financial flexibility and provide resources for future growth initiatives.

The Positive outlook on the rating reflects ICRA's expectation of a consistent growth in the top line and sustenance of healthy profitability, going forward, translating into a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Extensive track record in delivering integrated telecommunications, security and safety system (ITSS) solutions – CNL is led by Mr. Shriprakash Pandey along with a team of seasoned professionals, each bringing over three decades of expertise in delivering integrated telecommunication solutions. The company has a proven track record of executing complex projects across diverse sectors, including oil & gas, power, and transportation, both within India and internationally.

Established relationships with reputed customers – The company's customer base consists of various reputed companies in the oil and gas industry and established engineering, procurement and construction (EPC) players in the domestic and international market. There has been regular order inflow from existing customers and the company derives majority (~70%) of its revenues from them. Further, with the successful execution of contracts for various EPCs, the company has been able to establish itself as a preferred vendor and thus execute projects across geographies where these players are present.

Financial risk profile characterised by healthy profit margin, comfortable capital structure and strong coverage indicators – At a consolidated level, the operating profit has remained healthy and is likely to be in a range of 15-20%, going forward as well. The healthy cash accruals and low reliance on external borrowings have resulted in a comfortable capital structure. The gearing stood at 0.30 times as on March 31, 2025 (0.41 times as on March 31, 2024). The company's debt protection metrics have also remained healthy, reflected in operating profit/interest of 8.05 times (5.20 times in FY2024), net cash accruals/total debt of 93% (37% in FY2024) and total debt/operating profit of 0.95 times (2.00 times in FY2024) in FY2025.

Strong order inflow offers comfortable medium-term revenue visibility – ICRA expects the company to report a steady revenue growth on the back of regular order inflow from the oil and gas industry which continues to account for majority of the company's business, along with increasing contribution from the power segment and emerging opportunities in transportation infrastructure projects such as dedicated freight corridors and metro systems. The company had an unexecuted order book of ~Rs. 800 crore as on September 30, 2025, against an unexecuted order book of Rs. 457 crore as on March 31, 2025.

Credit challenges

High customer and sectoral concentration risks; efforts afoot to diversify – The company's operations remain exposed to high customer concentration risk with the top five customers accounting for 55% of the revenues in FY2024. In addition, given the company's high reliance on the oil and gas sector (contributing ~75-85% to the total revenues), its revenues and profit margin remain susceptible to any slowdown in investments in this sector.

Projects awarded through competitive bidding can lead to lumpiness in revenues – CNL operates in a project-driven business model where a significant portion of the domestic orders, particularly from public sector undertakings, is secured through competitive tendering under L1 bidding norms. This process often results in uneven order inflows and execution schedules, as the project awards are contingent on tender cycles and pricing competitiveness. Consequently, the revenue recognition can be volatile across quarters, with periods of strong inflows followed by slower execution phases. While international projects routed through EPC partners offer more predictable timelines due to negotiated pricing, the reliance on competitive bidding in India introduces an element of lumpiness in overall revenue trends.

High working capital intensity – CNL operates in a project-driven business model that is inherently working capital-intensive due to the long execution cycles and milestone-based payment structures. The receivable days remain elevated at around 180-190, reflecting the complexity of large infrastructure projects and client approval processes. Additionally, the company maintains significant bank guarantee exposure of approximately Rs. 100 crore and actively utilises working capital limits to support the ongoing projects. While the inventory days have reduced following the adoption of the percentage-of-completion revenue recognition method, the overall cycle continues to require substantial liquidity.

Liquidity position: Adequate

The company's liquidity is adequate, reflected in the free cash and bank balance of ~Rs. 9.82 crore in the Indian entity and Rs. ~103.64 crore in its subsidiary as on March 31, 2025. Further, the company's average fund-based utilisation limit in the last 16 months ended October 31, 2025, stood at 71%, with average undrawn limits of Rs. ~36.0 crore. ICRA also notes that the total debt mainly includes working capital borrowings. While the working capital requirement remains high, the infusion from the upcoming IPO and the healthy accruals generated by the company are expected to meet its incremental requirements with increasing revenues.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company reports healthy revenue growth on the back of regular order inflows while maintaining its profit margin and improving the liquidity at the standalone level.

Negative factors – The outlook can be revised to Stable if the company witnesses a considerable decline in sales, weakening of profitability or a deterioration in the liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CNL mentioned in Annexure II

About the company

CNL, incorporated in 1998, is a turnkey provider of converged communication, surveillance and related technology solutions and iTSS to customers in the oil and gas, power, transportation, mining and related sectors. It designs, builds, integrates and manages dedicated networks over optical fibre, radio or copper media. The company has deployed more than 1,14,000 km of telecommunication network across sectors. CNL also has a UAE-based subsidiary, Commtel Networks FZC, through which it executes orders based in West Asia and the African (MEA) region.

Key financial indicators (audited)

CNL (consolidated)	FY2024	FY2025
Operating income	456.9	639.3
PAT	47.5	113.6
OPBDITA/OI (%)	15.2%	22.5%
PAT/OI	10.4%	17.8%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	2.0	1.0
Interest coverage (times)	5.2	8.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec 09, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based limits	Long term	185.00	[ICRA]A (Positive)	Jun 28, 2024	[ICRA]A-(Stable)	Nov 30, 2023	[ICRA]A-(Stable)	Sep 30, 2022	[ICRA]A-(Stable)
				Sep 06, 2024	[ICRA]A (Stable)				
Interchangeable limits	Long term and short term	(185.00)	[ICRA]A (Positive)/[ICRA]A2+	Jun 28, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Nov 30, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Sep 30, 2022	[ICRA]A-(Stable)/[ICRA]A2+
				Sep 06, 2024	[ICRA]A (Stable)/[ICRA]A2+				
Unallocated limits	Long term and short term	50.00	[ICRA]A (Positive)/[ICRA]A2+	Jun 28, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Nov 30, 2023	[ICRA]A-(Stable)/[ICRA]A2+	--	--
				Sep 06, 2024	[ICRA]A (Stable)/[ICRA]A2+				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Long term/Short term - Interchangeable limits - Others	Very Simple
Long term/Short term - Unallocated limits - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term fund based limits	-	-	-	185.00	[ICRA]A (Positive)
NA	Long term/Short term interchangeable limits*	-	-	-	(185.00)	[ICRA]A (Positive)/[ICRA]A2+
NA	Long term/Short term unallocated limits	-	-	-	50.00	[ICRA]A (Positive)/[ICRA]A2+

Source: Company

*xx Bank - Rs. 50-crore sub-limits are interchangeable between fund-based and non-fund based limits such that the maximum utilisation of cash credits cannot exceed Rs. 50.00 crore, maximum utilisation of working capital demand loan (WC DL) cannot exceed Rs. 45.00 crore, total utilisation of export finance cannot exceed Rs. 35.00 crore and total utilisation of bank guarantees should not exceed Rs. 20.00 crore, inter-citi SBLC cannot exceed Rs. 15.00 crore.

yy Bank- Rs. 25-crore sub-limits re interchangeable between fund-based and non-fund based limits such that the maximum utilisation of working capital demand loan (WC DL) cannot exceed Rs. 17.00 crore, total utilisation of bank guarantees should not exceed Rs. 25.00 crore & total utilisation of letter of credit cannot exceed Rs. 25.00 crore.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Commtel Networks FZC	100.00%	Full consolidation

Source: company

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