

Tirumala Seven Hills Private Limited

Instrument	Amount	Rating Action
Fund Based Limits – Cash Credit	Rs. 8.00 crore (enhanced from Rs. 4.00 crore)	[ICRA]BB- (Stable) reaffirmed
Non Fund Based Limits – Bank Guarantee & Letter of Credit	Rs. 15.00 crore (reduced from Rs. 28.00 crore)	[ICRA]A4 reaffirmed
Unallocated	Rs. 9.00 crore	[ICRA]BB- (Stable)/ [ICRA]A4 reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB- (pronounced ICRA double B minus) to the Rs. 8.00 crore¹ (enhanced from Rs. 4.00 crore) cash credit facility of Tirumala Seven Hills Private Limited (TSH)². The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 15.00 crore (reduced from Rs.28.00 crore) non-fund based bank facilities of TSH.

The reaffirmation of the ratings take into account the promoters' established track record in the trading of telecom equipment, the company's reputed customer base mitigating counter-party risks to an extent, TSH's conservative capital structure with a gearing of around 0.48 times (provisional before tax) as on March 31, 2016, and an improvement in the industry fundamentals of the telecom sector in the recent past, which positively impacted the company's top-line in FY2016.

The ratings are, however, constrained by TSH's low operating margin due to the trading nature of operations, net profit being largely supported by non- operating income, and its stretched liquidity position owing to high receivable days as well as its significant reliance on creditor funding to manage the increased working capital requirement, arising from the significant top-line growth witnessed during FY2016, resulting in a high TOL/TNW. The ratings continue to remain constrained by the company's exposure to foreign currency risks due to the absence of any hedging mechanism for its payments for imported material. The company's ability to continue procuring new orders, successfully executing them and its ability to manage the working capital will remain the key credit concerns going forward.

Company Profile

Tirumala Seven Hills Private Limited (TSH) was incorporated as a trading company in 1990 and was promoted by Mr. Vinod Khetawat and his family members. The company trades primarily in telecom and transmission equipment, providing infrastructure support and services for applications to industries like telecom, hospitality, and internet data centre. In addition, the company acts as a commissioning agent and facilitates the trading of telecom-related equipment to other companies located outside India. It also generates a small portion of its revenue from other sources, including software licence, rentals etc.

Recent Results

During FY2016, the company has reported a profit before tax of Rs. 2.2 crore (provisional) on an operating income of Rs. 82.9 crore (provisional). In FY2015, the company reported a net profit of Rs. 0.8 crore on an operating income of Rs. 42.6 crore.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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