

## Ardom Towergen Private Limited

March 08, 2018

### Summary of rated instruments

| Instrument*                           | Current Rated Amount<br>(Rs. crore) | Rating Action                |
|---------------------------------------|-------------------------------------|------------------------------|
| Fund-based Working Capital Facilities | 22.50                               | [ICRA]BBB-(Stable); Assigned |
| Fund-based Term Loan                  | 12.00                               | [ICRA]BBB-(Stable); Assigned |
| Non-fund Based Facilities             | 15.50                               | [ICRA]A3; Assigned           |
| <b>Total</b>                          | <b>50.00</b>                        |                              |

\*Instrument details in Annexure I

### Rating action:

ICRA has assigned its long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) and short-term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs. 50.00-crore<sup>1</sup> bank facilities of Ardom Towergen Private Limited (ATPL)<sup>2</sup>. The outlook on the long-term rating is Stable.

### Rationale:

ICRA's ratings take into account the extensive experience of ATPL's promoters in the telecom industry and its reputed client base, which includes all major players in the telecom tower business. The rating also takes into account the company's moderate financial risk profile, which is reflected in its lightly-leveraged capital structure. ICRA also takes note of the company's long-term contracts with its major customers, which provides medium-term revenue visibility. Further, the ratings factor in the expected robust growth in the demand for data services which necessitates expansion by telecom companies and augurs well for the prospects of the tower industry.

The rating, however, is constrained by the company's modest scale of operations and moderate operating margins. The ratings are also constrained by ATPL's high working-capital intensity on account of stretched receivables as well as few instances of bad debts in the past. Further, ICRA's rating takes note of the Group's contractual repayment obligations towards L&T Infra Investment Partners Limited (L&TIPL) in FY2019, for which it is seeking investors. Developments in this regard would be closely monitored. Moreover, improvement in the operating margins due to cost-reduction measures initiated by the company is expected to become visible in the near term and would be a key monitorable.

Going forward, the ability of the company to ensure sustained improvement in profitability as well as maintain a prudent capital structure and an optimal working-capital intensity will be the key rating sensitivities.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Outlook: Stable

ICRA believes that ATPL will continue to benefit from its reputed customer profile as well as the extensive experience of its promoters in the cellular services business. The outlook may be revised to Positive if the company's profitability and working-capital cycle are better than estimates. The outlook may be revised to Negative if there is any deterioration in working-capital parameters or if there is a delay in tying-up funds to meet the Group's contractual repayment obligations to L&TIPL.

## Key rating drivers:

### Credit strengths

**Over two-decade-long experience of promoters in telecom industry** - The promoters have been involved in the telecom industry for over two decades. This has helped the company establish strong relationships with its customers.

**Healthy customer profile, long association with market leaders in telecom tower industry** - The company's customer base includes prominent players like American Tower Company (ATC), Indus Towers, Tower Vision etc., which ensures regular order flows and reduces counterparty risk.

**Healthy capital structure due to strong net worth** - The financial profile of company is healthy with a lightly-leveraged capital structure.

**Growth in demand for data services necessitates speedy network rollout/expansion by telecommunication companies** - The Indian telecom infrastructure market is expected to witness healthy growth as mobile operators are building and strengthening their third- and fourth-generation (3G and 4G) networks. Thus, any addition in the number of towers would augur well for ATPL, as the company deals with almost all the major tower companies.

### Credit challenges

**Delayed payments from a few customers leads to high working-capital intensity** - The working-capital intensity of the company remains high, mainly because of stretched receivables, with debtor days standing at more than 90 days in FY2017.

**Significant repayment obligation to L&TIPL** - The Group has significant contractual repayment obligations in FY2019 towards the private equity funding from L&TIPL that was received around six years back. The management is looking for alternate equity investments in the business.

**Vulnerability to end user demand** - The company's scale of operations as well as profitability remain vulnerable to cyclicity of demand in the tower industry.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

## About the company

ATPL was earlier known as Quanta Towergen Private Limited (QTPL). Notably, QTPL was owned by Quanta Services Netherlands B. V, which is a subsidiary of Quanta Services Inc., USA. The current promoter acquired 100% shareholding of QTPL and its name was changed to ATPL after the acquisition. ATPL provides operations and management services for both active and passive components of cellular networks. It provides services such as preventive and breakdown maintenance of passive equipment such as air conditioners, diesel generators, battery banks, power plants and other power-related equipment on-site. The company also undertakes energy management through optimisation of generators, grid power usage, field level maintenance, radiation measurement etc. The company specialises in providing these solutions on a fixed-cost basis. Earlier, the business was running under Ardom Telecom Private Limited, which was formed in 2009, and later merged into ATPL in 2017.

## Key financial indicators (Audited)

|                              | FY2016 | FY2017   |
|------------------------------|--------|----------|
| Operating Income (Rs. crore) | 22.08  | 151.67   |
| PAT (Rs. crore)              | (1.95) | (60.11)  |
| OPBDIT/OI (%)                | 9.85%  | (4.26%)  |
| RoCE (%)                     | -      | (43.19%) |
| Total Debt/TNW (times)       | 0.00   | 0.18     |
| Total Debt/OPBDIT (times)    | 0.00   | (5.10)   |
| Interest Coverage (times)    | 504.69 | (3.01)   |
| NWC/OI (%)                   | 44%    | 27%      |

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

| Instrument           | Current Rating (FY2018) |                          |                                |                          | Chronology of Rating History for the past 3 years |                         |                         |
|----------------------|-------------------------|--------------------------|--------------------------------|--------------------------|---|-------------------------|-------------------------|
|                      | Type                    | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating March 2018 | Date & Rating in FY2017                           | Date & Rating in FY2016 | Date & Rating in FY2015 |
| 1 Cash Credit -1     | Long Term               | 12.50                    | -                              | [ICRA]BBB-(Stable)       | -   | -                       | -                       |
| 2 Cash Credit -2     | Long Term               | 10.00                    | -                              | [ICRA]BBB-(Stable)       | -   | -                       | -                       |
| 3 Term Loan          | Long Term               | 12.00                    | 12.00                          | [ICRA]BBB-(Stable)       | -   | -                       | -                       |
| 4 Bank Guarantee - 1 | Short Term              | 8.00                     | -                              | [ICRA]A3                 | -   | -                       | -                       |
| 5 Bank Guarantee - 2 | Short Term              | 7.50                     | -                              | [ICRA]A3                 | -   | -                       | -                       |

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

| ISIN No | Instrument Name    | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|--------------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA      | Cash Credit -1     | -                           | -           | -             | 12.50                    | [ICRA]BBB- (Stable)        |
| NA      | Cash Credit -2     | -                           | -           | -             | 10.00                    | [ICRA]BBB- (Stable)        |
| NA      | Term Loan          | March 2017                  | -           | March 2022    | 12.00                    | [ICRA]BBB- (Stable)        |
| NA      | Bank Guarantee - 1 | -                           | -           | -             | 8.00                     | [ICRA]A3                   |
| NA      | Bank Guarantee - 2 | -                           | -           | -             | 7.50                     | [ICRA]A3                   |

Source: Ardom Towergen Privare Limited

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