

October 29, 2020

HCL Comnet Limited: Ratings withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based facilities	77.05	77.05	[ICRA]AA (Stable)/[ICRA]A1+; Withdrawn
Non-fund based facilities	210.43	210.43	[ICRA]AA (Stable)/[ICRA]A1+; Withdrawn
Total Bank Facilities to be Rated	287.48	287.48	

*Instrument details are provided in Annexure-1

Rationale

The ratings assigned to the bank facilities of HCL Comnet Limited (HCL Comnet) are withdrawn in accordance with ICRA's policy on withdrawal and suspension. The ratings have been withdrawn following the amalgamation¹ of HCL Comnet with its parent company, HCL Technologies Limited (rated [ICRA]AAA (Stable)/A1+) with effect from April 1, 2019. HCL Comnet was involved in hardware supply, installation and maintenance services and system integration projects. The merger with HCL Technologies Limited was in line with the group's strategy of optimal utilisation of resources, synchronisation of synergies as well as creating an optimised legal entity structure by reducing the number of legal entities in the group structure. ICRA does not have information to suggest that the credit risk of HCL Comnet has changed since the time the rating was last reviewed.

Please refer to the previous detailed rating rationale on the following link: [Click here](#)

Key rating drivers and their description

Not applicable

Rating sensitivities

Not applicable

¹ The Scheme of Amalgamation among HCL Eagle Limited, HCL Comnet Limited, HCL Technologies Solutions Limited, Concept2Silicion Systems Private Limited ("Transferor Companies") and HCL Technologies Limited ("Transferee Company") and their respective shareholders and creditors pursuant to Sections 230 to 232 of the Companies Act, was approved by all the requisite regulatory authorities. Subsequently, HCL Comnet had filled form INC-28 with the Ministry of Corporate Affairs on July 13, 2020.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Information Technology Hardware-related Services Industry Impact of Parent or Group Support on an Issuer's Credit Rating ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	The rating assigned to HCL Comnet had factored in the high likelihood of its parent, HCL Tech extending financial support to it because of close business linkages and the need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

HCL Comnet Limited was a wholly-owned subsidiary of HCL Technologies Limited. The company was involved in hardware supply, installation and maintenance services and system integration projects. It provided wide area/local area networking solutions through terrestrial and satellite networks, including its security, consultancy, management and support. It primarily catered to large projects of the Central and state governments, public sector and other large enterprises, public and private banks, stock exchanges, other banking and financial institutions. Following the approval of Scheme of Amalgamation among HCL Eagle Limited, HCL Comnet Limited, HCL Technologies Solutions Limited, Concept2Silicon Systems Private Limited ("Transferor Companies") and HCL Technologies Limited ("Transferee Company"), HCL Comnet Limited has been merged into HCL Technologies Limited.

Key financial indicators

	FY2019	FY2020
Operating Income (Rs. crore)	178.0	91.4
PAT (Rs. crore)	12.5	-4.7
OPBDIT/OI (%)	11.6%	-15.4%
RoCE (%)	7.0%	-5.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.4
Total Debt/OPBDIT (times)	0.5	-0.2
Interest Coverage (times)	62.6	-11.5
DSCR	3.4	1.3

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Instrument	Type	Current Rating (FY2021)		Chronology of Rating History for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
				29-October-20	25-June-20	24-May-19	25-Jun-18	02-May-17
1 Non-fund Based Facilities	Long Term/ Short Term	210.43	-	[ICRA]AA (Stable)/[ICRA]A1+; Withdrawn	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	[ICRA]A1+
2 Fund-based Facilities	Long Term/ Short Term	77.05	-	[ICRA]AA (Stable)/[ICRA]A1+; Withdrawn	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+	-	-
3 Fund-based Facilities	Long Term	-	-	-	-	-	-	[ICRA]AA (Stable)
4 Non-fund Based Facilities	Short Term	-	-	-	-	-	[ICRA]A1+	[ICRA]A1+
5 Fund-based & Non-fund Based Facilities	Long Term/ Short Term	-	-	-	-	-	[ICRA]AA (Stable)/[ICRA]A1+	[ICRA]AA (Stable)/[ICRA]A1+

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

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance /Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Non-fund Based Facilities	-	-	-	210.43	[ICRA]AA (Stable)/ [ICRA]A1+; Withdrawn
-	Fund-based Facilities	-	-	-	77.05	[ICRA]AA (Stable)/ [ICRA]A1+; Withdrawn

Source: HCL Comnet Limited

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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