

October 06, 2026

Commtel Networks Limited: Ratings upgraded; outlook revised to Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based - Cash credit	185.00	274.33	[ICRA]A+ (Stable); upgraded from [ICRA]A (Positive); assigned for enhanced amount; outlook revised to Stable from Positive	RBI
Long term/Short term - Interchangeable limits - Others	(185.00)	(240.00)	[ICRA]A+ (Stable)/ [ICRA]A1; upgraded from [ICRA]A (Positive)/ [ICRA]A2+; assigned for enhanced amount; outlook revised to Stable from Positive	RBI
Long term/Short term - Unallocated limits - Unallocated limits	50.00	125.67	[ICRA]A+ (Stable)/ [ICRA]A1; upgraded from [ICRA]A (Positive)/ [ICRA]A2+; assigned for enhanced amount; outlook revised to Stable from Positive	RBI
Total	235.00	400.00		

*Instrument details are provided in Annexure I

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

ICRA has considered the consolidated financials of Commtel Networks Limited (Commtel, CNL) along with its UAE-based subsidiary Commtel Networks FZC (CNFZC) while assigning the credit ratings, given their common management and significant operational linkages.

The upgrade in the ratings factors in a sustained improvement in the company's business profile, reflected in the growth in scale of operations, healthy profitability and comfortable financial risk profile. The company reported an operating income of Rs. 684.7 crore in FY2026, up from Rs. 639.2 crore in FY2025, while maintaining healthy operating profitability, with the operating profit margin (OPM) remaining broadly stable at 22.1% in FY2026 compared with 22.5% in FY2025. The company is expected to report healthy revenue growth in the current fiscal as well, supported by its sizeable executable order book and regular order inflows, while maintaining adequate profitability levels. The unexecuted order book stood at around Rs. 850 crore as on March 31, 2026 and subsequently increased to around Rs. 1,000 crore as of August 2026, providing healthy medium-term revenue visibility.

The ratings also continue to benefit from Commtel's established track record in executing turnkey telecom, surveillance and security system projects and its long-standing relationships with reputed domestic and international customers and engineering, procurement and construction (EPC) contractors, which support repeat business.

The ratings also derive comfort from Commtel's comfortable capital structure and strong debt protection metrics, supported by healthy accrual generation. The gearing remained comfortable at 0.24 times as on March 31, 2026, against 0.30 times as on March 31, 2025. The coverage indicators remained healthy, reflected in an interest coverage ratio of 9.1 times, total debt/OPBDITA of 0.97 times and NCA/total debt of 86% in FY2026. Going forward, the company's capital structure and debt protection metrics are expected to remain comfortable, supported by adequate profitability and steady accruals, notwithstanding the proposed capex and associated borrowings. The debt service coverage ratio (DSCR) may witness some moderation owing to the scheduled repayments on the proposed term debt; however, it is expected to remain comfortable.

The ratings, however, remain constrained by the company's exposure to customer and sector concentration risks, with the oil and gas sector continuing to contribute a significant portion to the revenues (80-85%). The inherently working capital-intensive nature of operations because of the milestone-based billing structures, retention money and moderately high non-fund-based working capital requirements also remains a credit consideration. Nevertheless, the company's established relationships with customers, satisfactory collection track record and adequate liquidity mitigate these risks to an extent.

ICRA also takes note of the proposed IPO, for which regulatory approvals have been received. However, the UDRHP has not yet been filed, and the proposed IPO remains at an intermediate stage. The proposed fund raise is expected to further strengthen the capital structure, improve financial flexibility and support the company's future growth plans. The company's proposed investment towards the development of an owned office and systems integration facility in India is expected to be funded through a mix of IPO proceeds/internal accruals and debt. Going forward, the company's ability to sustain its growth momentum while maintaining adequate profitability, liquidity and debt protection metrics will remain the key rating monitorables.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company's healthy order book position will support growth in the scale of operations while sustaining profitability, thereby resulting in a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Extensive track record in delivering turnkey telecommunications and surveillance 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 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 the consolidated level, CommTel continued to report healthy profitability, with the operating margin at 22.1% in FY2026 (22.5% in FY2025). The capital structure remained comfortable, with the gearing improving to 0.24 times as on March 31, 2026, from 0.30 times as on March 31, 2025, supported by healthy accretion to the net worth. The debt protection metrics also remained strong, reflected in an interest coverage of 9.1 times (8.1 times in FY2025), total debt/OPBDITA of 0.97 times (0.95 times in FY2025) and NCA/total debt of 86% (93% in FY2025) in FY2026. Going forward, the operating margins are expected to normalise at 18-19%, while the capital structure and coverage indicators are likely to remain comfortable, supported by healthy accrual generation.

Strong order inflow offers comfortable medium-term revenue visibility - ICRA expects the company to report healthy revenue growth over the medium term, supported by its strong executable order book and regular order inflows. The company entered FY2027 with an order book of around Rs. 850 crore. Following fresh order inflows of around Rs. 350 crore till August 2026, the order book stood at around Rs. 1,000 crore as of August 2026, providing healthy revenue visibility. The order book continues to be driven primarily by the oil & gas sector, along with an increasing presence in power and emerging opportunities in transportation infrastructure, including dedicated freight corridors, railways and metro projects.

Credit challenges

High customer and sectoral concentration risks; efforts afoot to diversify – The company remains exposed to moderate customer concentration risk, given the project-based nature of its operations and the relatively large size of certain contracts. While the customer concentration moderated in FY2026, the contribution from individual customers may vary depending on

the projects under execution during a particular year. Further, the sectoral concentration remains high, with the oil & gas segment accounting for 80-85% of the revenues, exposing the company's revenues and profitability to any slowdown in investments in this sector. Although the company is increasing its presence in the power and transportation segments, oil & gas is expected to remain the major revenue contributor over the near term.

Projects awarded through competitive bidding can lead to lumpiness in revenues – Commтел operates in a project-driven business, with a significant portion of domestic orders, particularly from PSUs, awarded through technical qualification followed by L1-based competitive bidding. Consequently, the timing of the order awards and the execution remain dependent on tendering cycles and customer schedules, which can result in quarter-to-quarter volatility in revenues. Further, the revenue profile remains skewed towards the year-end, with a sizeable portion of the execution and billing typically occurring during the later part of the financial year. While the growing international business through established EPC relationships provides some diversification, the project-based nature of operations is expected to result in continued revenue lumpiness.

High working capital intensity – The company's operations remain inherently working capital-intensive owing to the project-based nature of operations, milestone-linked billing, retention money and performance/warranty bank guarantee requirements. The debtor days, though improved, remained elevated at 182 days in FY2026 compared with 210 days in FY2025, while the net working capital intensity stood at around 59% of the operating income. The working capital indicators are also impacted by the back-ended execution profile, with a sizeable portion of the billing occurring towards the end of the financial year. Typically, 70-80% of the contract value is realised around dispatch, with the balance linked to installation and commissioning and around 5% is generally retained towards warranty/retention obligations. Further, the growing order book entails higher non-fund-based requirements towards performance and warranty guarantees. Nevertheless, the company's healthy accrual generation and enhanced banking facilities provide comfort to an extent.

Liquidity position: Adequate

The company's liquidity profile remains adequate, supported by free cash and bank balances of approximately Rs. 15.9 crore in the standalone entity and Rs. 195.2 crore in its UAE subsidiary as on March 31, 2026. The average utilisation of the fund-based working capital limits remained at 81% during the 12 months ended April 2026. While the business continues to have high working capital requirements owing to milestone-based billing structures, retention money and bank guarantee obligations, the debt profile primarily comprises working capital borrowings. The liquidity position is further supported by the enhancement of banking limits to Rs. 250 crore from Rs. 190 crore and the proposed IPO, which is expected to provide additional financial flexibility. Healthy accrual generation is expected to adequately support the company's incremental working capital requirements amid the anticipated growth in the scale of operations.

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 along with an improvement in liquidity at the standalone level.

Negative factors – The ratings can be downgraded 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 1,60,000 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 North America region.

Key financial indicators (Audited)

CNL (consolidated)	FY2025	FY2026
Operating income	639.3	684.7
PAT	113.6	121.6
OPBDIT/OI	22.5%	22.1%
PAT/OI	17.8%	17.8%
Total outside liabilities/Tangible net worth (times)	0.7	0.6
Total debt/OPBDIT (times)	1.0	1.0
Interest coverage (times)	8.1	9.1

Amounts in Rs. crore; 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 rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 06, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based limits	Long term	274.33	[ICRA]A+ (Stable)	Dec 09, 2025	[ICRA]A (Positive)	Sep 06, 2024	[ICRA]A (Stable)	Nov 30, 2023	[ICRA]A- (Stable)
						Jun 28, 2024	[ICRA]A- (Stable)		
Interchangeable limits	Long term/ Short term	(240.00)	[ICRA]A+ (Stable)/ [ICRA]A1	Dec 09, 2025	[ICRA]A (Positive)/ [ICRA]A2+	Sep 06, 2024	[ICRA]A (Stable)/ [ICRA]A2+	Nov 30, 2023	[ICRA]A- (Stable)/ [ICRA]A2+
						Jun 28, 2024	[ICRA]A- (Stable)/ [ICRA]A2+		
Unallocated limits	Long term/ Short term	125.67	[ICRA]A+ (Stable)/ [ICRA]A1	Dec 09, 2025	[ICRA]A (Positive)/ [ICRA]A2+	Sep 06, 2024	[ICRA]A (Stable)/ [ICRA]A2+	Nov 30, 2023	[ICRA]A- (Stable)/ [ICRA]A2+
						Jun 28, 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	Simple
Long term/Short term - 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	Financial sector regulator [#]
NA	Long term fund based limits	NA	NA	NA	274.33	[ICRA]A+ (Stable)	RBI
NA	Long term/Short term interchangeable limits*	NA	NA	NA	(240.00)	[ICRA]A+ (Stable)/ [ICRA]A1	RBI
NA	Long term/Short term unallocated limits	NA	NA	NA	125.67	[ICRA]A+ (Stable)/ [ICRA]A1	RBI

Source: Company

*Citi Bank - Rs. 110-crore sub-limits are interchangeable between fund-based and non-fund based limits such that the maximum utilisation of cash credits cannot exceed Rs. 110.00 crore, maximum utilisation of working capital demand loan (WC DL) cannot exceed Rs. 110.00 crore, total utilisation of bills discounted cannot exceed Rs. 110.00 crore and total utilisation of letter of credit not exceed Rs. 110.00 crore, post and pre shipment finance cannot exceed Rs. 65.00 crore. HDFC Bank- Rs. 60-crore sub-limits are interchangeable between fund-based and non-fund based limits such that the maximum utilisation of working capital demand loan (WC DL) cannot exceed Rs. 60.00 crore, total utilisation of bank guarantees should not exceed Rs. 60.00 crore, total utilisation of letter of credit cannot exceed Rs. 60.00 crore and total utilisation of SBLC cannot exceed Rs. 60.00 crore.

IDBI Bank – Rs.35 crore sub-limits are interchangeable between fund-based and non-fund based limits such that the maximum utilisation of cash credits cannot exceed Rs. 7 crore (LER sub-limit to CC cannot exceed Rs. 1 crore), maximum utilisation of working capital demand loan (WC DL) cannot exceed Rs. 28 crore, maximum utilisation of FCNR cannot exceed Rs. 28 crore, total utilisation of bank guarantee should not exceed Rs. 35 crore, total utilisation of letter of credit should not exceed Rs. 35 crore, total utilisation of SBLC sub-limit of LC cannot exceed Rs. 10 crore

Bank of Baroda Bank – Rs. 45 crore sub-limits are interchangeable between fund-based and non-fund based limits such that maximum utilisation of cash credits cannot exceed Rs. 35 crore, maximum utilisation of Letter of Credit cannot exceed Rs. 35 crore, maximum utilisation of Bank Guarantee cannot exceed Rs. 45 crore and Forward cover sub-limit of CC cannot exceed Rs. 1 crore

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[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
Commтел Networks FZC	100.00%	Full consolidation

Source: Company

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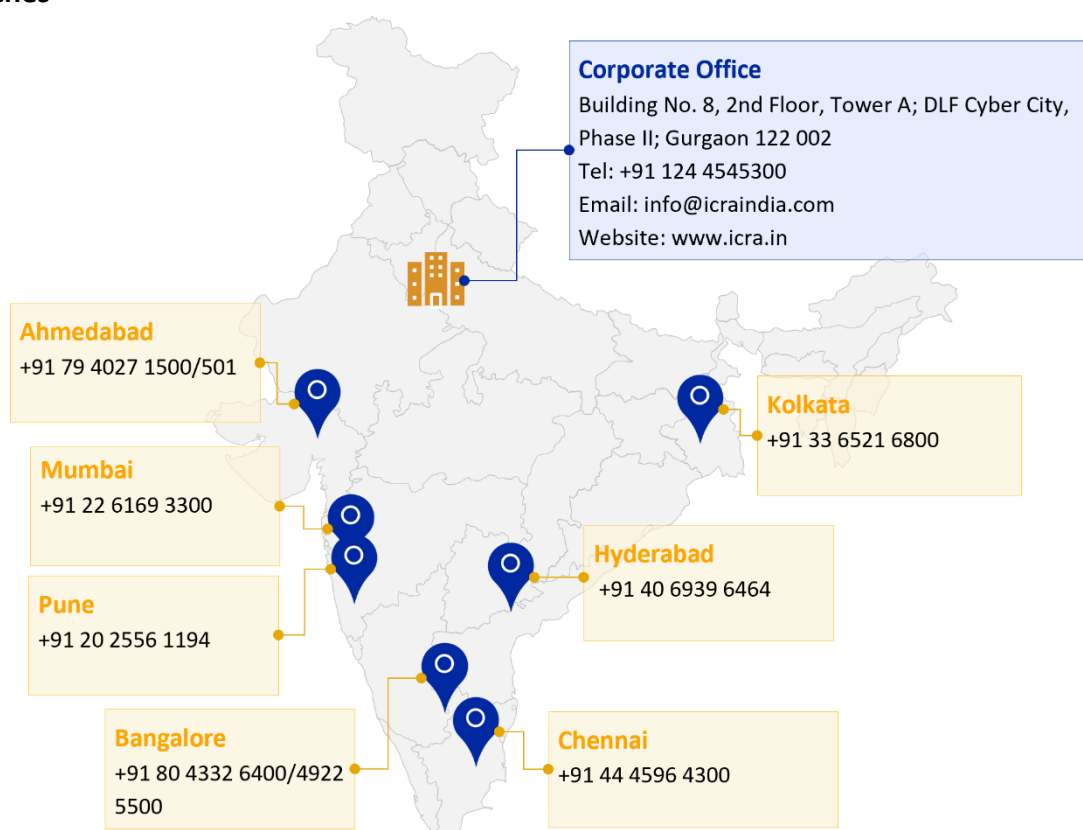
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