# Rating Advisory

April 30, 2019 | Mumbai

# Suyog Telematics Limited

**Advisory as on April 30, 2019**

This rating advisory is provided in relation to the rating of Suyog Telematics Limited

The key rating sensitivity factors for the rating include:

- Sustenance of off-take agreements with customers and improvement in tenancy ratio
- Efficiency in working capital management
- Capex plan and its funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Suyog Telematics Limited (STL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If STL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

**About The Company**

STL, incorporated in 1995 by Mr Shivshankar Lature, is a passive telecommunication infrastructure provider, engaged primarily in the business of installing and commissioning poles, towers and optical fibre cable systems.

*Please note: This advisory should not be construed as a rating reaffirmation.*

**DISCLAIMER**

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

# Rating Rationale

July 31, 2018 | Mumbai

# Suyog Telematics Limited

*Ratings upgraded to 'CRISIL BBB-/Stable/CRISIL A3'*

**Rating Action**

| | |
|---|---|
| **Total Bank Loan Facilities Rated** | **Rs.90 Crore** |
| **Long Term Rating** | **CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+/Stable')** |
| **Short Term Rating** | **CRISIL A3 (Upgraded from 'CRISIL A4+')** |

*1 crore = 10 million*
*Refer to annexure for Details of Instruments & Bank Facilities*

**Detailed Rationale**

CRISIL has upgraded its ratings on the bank facilities of Suyog Telematics Limited (STL) to **'CRISIL BBB-/Stable/CRISIL A3'** from 'CRISIL BB+/Stable/CRISIL A4+'.

The rating upgrade reflect expectation that STL's business risk profile will continue to remain strong on the back of its established position in the Mumbai region supported by exclusive licensing agreements with government agencies for setting up passive telecom infrastructures namely poles and towers. STL has also entered into, master service agreements with all the major telecom operators for renting out its assets. The rating upgrade also reflect strengthened internal controls and streamlined repayment mechanism through presence of an ESCROW account and 3 month DSRA for all term loans.

The rating continue to reflect healthy financial risk profile marked by above-average total outside liabilities to adjusted net worth (TOL/ANW) ratio and comfortable debt protection metrics. These rating strengths are partially offset by STL's moderate scale of operations with geographical concentration, low tenancy ratio of its towers and sizeable capital expenditure expected over the medium term.

**Key Rating Drivers & Detailed Description**
**Strengths**
* **Established regional market position in the passive telecom infrastructure segment:** The Company is a passive telecom infrastructure provider, engaged primarily in the business of installing and commissioning of poles, towers and optical fibre cable systems since 1995. It is registered as Infrastructure Provider Category-I (IP-I) with Department of Telecommunications (DoT). The company has a strong presence in the government sector in Mumbai supported by the fact that it has sole licensee to install towers and poles for Mumbai Metropolitan Region Development Authority (MMRDA) and Mumbai State Road Development Corporation Ltd (MSRDC) sites across Mumbai region such as flyovers, sea link and skyways. The exclusive licence from government agencies ensure stable revenue growth and profitability.

The company has healthy presence in low cost slums sites, with high density of population and government sites, they also focuses more on installation of poles which require lower capex and variable cost compared to towers. This coupled with significant presence in Mumbai has led to operating margins at par with peers despite lower occupancy levels.

STL also has signed master service agreement with all the major telecom operators and caters to companies such as Reliance Jio Infocomm Ltd ('CRISIL AAA/CRISIL AAA(SO)/Stable'), Vodafone India Ltd ('CRISIL AA-/Negative/CRISIL A1+'), Bharati Airtel Ltd ('CRISIL AA+/Negative/CRISIL A1+') and various other service providers for installing the signal towers and poles. While the intense competition among the operators may lead to lower infrastructure provider's fees, the focus on data and call quality by operators in a critical region such as Mumbai may lead to improvement in tenancy ratio supporting profitability over the medium term.

* **Above-average financial risk profile:** Despite planned capex of around Rs.90-100 crores over the next fiscal, financial risk profile is expected to remain healthy. Networth is estimated to be around Rs.70 crore as on 31st March 2018, expected to improve to over Rs.100 crores by end of fiscal 2020 supported by increase in accruals with growth in revenue and sustained profitability.

Leverage is moderate as reflected in estimated total outside liability to adjusted networth of 1.29 times as on March 31, 2018. STL is expected to avail term loan of around Rs.25-30 crores over fiscal 2020 to fund the planned capex. Despite the additional debt, TOLANW is expected remain at similar level over the medium term owing to increase in networth and repayment of existing debt maturing over the medium term.

Debt protection metrics also remains comfortable as reflected in estimated interest coverage of 4.7 times for fiscal 2018 and adequate cash accruals to repay maturing debt obligations. Supported by the expected increase in revenue and sustained profitability, interest coverage is expected to remain above 5 times over the medium term and cash accruals adequate to repay maturing debt.

**Weaknesses**
* **Moderate scale of operations and limited geographical presence:** Scale of operation is moderate with estimated operating income of Rs 84.6 crore in fiscal 2018 compared to peers. The operations are concentrated in Mumbai region, while STL has competitive advantage in Mumbai, its revenues are exposed to any revision in rental agreement with customers or revision in long term lease agreements with MSRDC and MMRDA which might affects company's revenues significantly. Although the company has started diversifying its geographical base with orders from Gujarat and Uttrakhand, the benefits from the same are expected to come over medium term and the extent remains to be seen. Hence, CRISIL believes that company's scale of operations will remain moderate and it is exposed to geographical concentration risk over the medium term.

* **Significant capital expenditure plans and low tenancy ratio**
Tenancy ratio declined in fiscal 2018 mainly on account of closure of operations by Aircel and Reliance communication, coupled with erecting of new poles. With capital expenditure plans of around Rs 90-100 crore to be completed over the next fiscal, the tenancy ratio may further weaken if the off take is slow. Timely completion of planned capex and its stabilization thereof at similar or higher tenancy ratio, will be a key rating sensitive factor.

**Outlook: Stable**

STL will benefit from its promoter's experience in the telecom tower industry and established relationships with customers and agencies such as MMRDA and MSRDC. The outlook may be revised to 'Positive' in case of significant ramp-up in scale of operations, backed by improvement in receivable cycle and in tenancy ratios and/or geographical diversification in revenue profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profitability or in case of deterioration in capital structure or debt protection metrics due to stretch in receivable cycle or higher than expected debt-funded capital expenditure.

**About the Company**

STL, incorporated in 1995 by Mr Shivshankar Lature, is a passive telecommunication infrastructure provider, engaged primarily in the business of installing and commissioning poles, towers and optical fibre cable systems.

**Key Financial Indicators**

| Particulars | Unit | 2018 | 2017 |
|---|---|---|---|
| Revenue | Rs.Crore | 84.6 | 60.5 |
| Profit After Tax (PAT) | Rs.Crore | 18.5 | 16.9 |
| PAT Margin | % | 21.9 | 27.9 |
| Adjusted Debt/Adjusted Networth | Times | 0.88 | 1.16 |
| Interest coverage | Times | 4.71 | 6.27 |

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

# Ratings

## Annexure - Details of Instrument(s)

| ISIN | Name of Instrument | Date of Allotment | Coupon Rate (%) | Maturity Date | Issue Size (Rs.Cr) | Rating Assigned with Outlook |
|---|---|---|---|---|---|---|
| NA | Bank Guarantee | NA | NA | NA | 3.00 | CRISIL A3 |
| NA | Term Loan | NA | NA | Oct-2021 | 20.00 | CRISIL BBB-/Stable |
| NA | Term Loan | NA | NA | Aug-2025 | 20.00 | CRISIL BBB-/Stable |
| NA | Term Loan | NA | NA | Jun-2022 | 11.34 | CRISIL BBB-/Stable |
| NA | Term Loan | NA | NA | Jun-2022 | 35.66 | CRISIL BBB-/Stable |

## Annexure - Rating History for last 3 Years

| | Current | | | 2018 (History) | | 2017 | | 2016 | | 2015 | | Start of 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Instrument | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund-based Bank Facilities | LT/ST | 87.00 | CRISIL BBB-/Stable | 09-01-18 | CRISIL BB+/Stable | 07-04-17 | CRISIL BBB-/Stable | 29-02-16 | CRISIL BBB-/Stable | | -- | -- |
| Non Fund-based Bank Facilities | LT/ST | 3.00 | CRISIL A3 | 09-01-18 | CRISIL A4+ | 07-04-17 | CRISIL A3 | | -- | | -- | -- |

*All amounts are in Rs.Cr.*

## Annexure - Details of various bank facilities

| Current facilities | | | Previous facilities | | |
|---|---|---|---|---|---|
| Facility | Amount (Rs.Crore) | Rating | Facility | Amount (Rs.Crore) | Rating |
| Bank Guarantee | 3 | CRISIL A3 | Bank Guarantee | 3 | CRISIL A4+ |
| Term Loan | 87 | CRISIL BBB-/Stable | Term Loan | 87 | CRISIL BB+/Stable |
| Total | 90 | -- | Total | 90 | -- |

| Links to related criteria |
|---|
| CRISILs Approach to Financial Ratios |
| CRISILs Bank Loan Ratings - process, scale and default recognition |
| Rating criteria for manufaturing and service sector companies |
| CRISILs Bank Loan Ratings |
| CRISILs Criteria for rating short term debt |
| The Rating Process |
| Understanding CRISILs Ratings and Rating Scales |

**For further information contact:**

| Media Relations | Analytical Contacts | Customer Service Helpdesk |
|---|---|---|
| **Saman Khan**<br>Media Relations<br>**CRISIL Limited**<br>D: +91 22 3342 3895<br>B: +91 22 3342 3000<br>saman.khan@crisil.com<br><br>**Naireen Ahmed**<br>Media Relations<br>**CRISIL Limited**<br>D: +91 22 3342 1818<br>B: +91 22 3342 3000<br>naireen.ahmed@crisil.com | **Arvind Rao**<br>Director - CRISIL Ratings<br>**CRISIL Limited**<br>D:+91 22 4097 8278<br>arvind.rao@crisil.com<br><br>**Jumana Badshah**<br>Associate Director - CRISIL Ratings<br>**CRISIL Limited**<br>D:+91 22 3342 8324<br>Jumana.Badshah@crisil.com<br><br>**Athul Sreelatha**<br>Rating Analyst - CRISIL Ratings<br>**CRISIL Limited**<br>D:+91 22 3342 3046<br>Athul.Sreelatha@crisil.com | Timings: 10.00 am to 7.00 pm<br>Toll free Number:1800 267 1301<br><br>For a copy of Rationales / Rating Reports:<br>CRISILratingdesk@crisil.com<br><br>For Analytical queries:<br>ratingsinvestordesk@crisil.com |

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

**About CRISIL Limited**

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

**About CRISIL Ratings**
CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

---

or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.