

Press Release

Apoorva IT Solutions Private Limited

29 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated	Rs.10.00 crore
Long Term Rating	SMERA BB/ Stable (Reaffirmed)
Short Term Rating	SMERA A4+(Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as A four plus**) to the above mentioned bank facilities of Apoorva IT Solutions Limited. The outlook is '**Stable**'.

Apoorva IT was established in 1998 by Mr. Murlidhar Reddy and family. The company is a distributor of hardware products of reputed brands including Hewlett-Packard, Cisco, Microsoft, RedHat among others and also offers integrated solutions and maintenance services.

Key rating drivers

Strengths

Experienced promoters

AISPL was set up by Mr. Murlidhar Reddy (Partner) who has over two decades of experience in this hardware products industry.

Steady increase in turnover

The company has reported a healthy increase in operating income at a CAGR of 20.16 per cent in the last 2 years ended FY'2017. The increase in turnover has been mainly due to setting up of branch office in Singapore which reduced the import duty cost of the company and also due to higher demands from Ministry of Defence, Government of India. The company has booked revenues of Rs. 28.00 crores till February 2018 (provisional). However, the scale of operations of the company remains dependent on orders won through tenders from the Ministry of Defence.

Reputed clientele base

The company is mostly catering to various departments of the Ministry of Defence i.e. Defence Research Development Laboratory and Defence Research and Development Organisation and has developed comfortable relationships with them since more than the past one decade.

Weaknesses

Customer concentration risk

About 75 percent of the company's revenue is generated by catering to government bodies, mainly to Ministry of Defence and rest is through catering to private customers like Aurobindo Pharma Limited, Hitachi Systems Micro Clinic Private Limited, Faxtel Systems Private Limited etc to name a few. Furthermore, since the company relies highly on government projects, it is susceptible to changes in government policies.

Working capital intensive nature of business

AIS's operations are working capital intensive reflected in high GCA days of 208 in FY17 as against 338 days in FY2016. Further, the inventory days stood at 43 days as on 31st March 2017 as against 98 days in the previous year. The debtor days stood at 169 days as on FY2017 as against 248 days in the previous year. The reason for the same being dependence on government which results in delays in payments.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook – Stable

SMERA believes that Apoorva IT will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if its scale of operations increases substantially while maintaining its profitability margins. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve profitability or if the financial risk profile deteriorates or further elongation in their working capital cycles.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.57	21.38	17.62
EBITDA	Rs. Cr.	2.44	1.61	1.29
PAT	Rs. Cr.	1.06	0.57	0.35
EBITDA Margin	(%)	7.97	7.54	7.31
PAT Margin	(%)	3.48	2.65	1.96
ROCE	(%)	21.77	20.34	20.34
Total Debt/Tangible Net Worth	Times	1.09	1.35	0.5
PBDIT/Interest	Times	2.18	1.99	1.64
Total Debt/PBDIT	Times	2.49	3.43	1.75
Gross Current Assets (Days)	Days	208	338	194

Any other information:

SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading: <https://www.smerra.in/criteria-trading.htm>
- Application Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

Not Applicable. The rating has been done only on financial information available in the public domain.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Dec-2016	Cash Credit	Long Term	4.00	SMERA BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.50	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.50	SMERA A4+ (Reaffirmed)

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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