

## Press Release

### Inmac Computers Private Limited

September 07, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 9.80 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 9.80 crore bank facilities of Inmac Computers Private Limited. The outlook is '**Stable**'.

Inmac Computers Private Limited (INMAC), a Mumbai-based company was incorporated in 1992 by Mr. Girish Babu and Mrs. Asha Girish Babu. The company provides IT solutions to banks and financial institutions. ICPL also undertakes tender based projects from Jharkhand and Telangana governments to set up WIFI connectivity in remote locations.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Promoters, Mr. Girish Babu and Mrs Asha Girish Babu have over three decades of experience in providing IT Solutions through other group companies. SMERA believes, the promoter's extensive experience will enable the company to maintain healthy relations with its customers and suppliers. .

- **Improved operating margins**

ICPLs operating margins stood at 3.00 percent in FY2017 (Provisional) as compared to 2.48 percent in FY2016. This was on account decline in employee cost and marketing cost as a percentage of sales. Going ahead, SMERA believes, ICPL will maintain steady operating margins on the back of stable employee and selling expenses.

- **Comfortable working capital operations**

ICPL's working capital operations are comfortable in nature with Gross Current Assets (GCAs) of 64 days in FY2017 (Provisional) (82 days in FY2016) on account of low inventory and debtors levels of 15 and 49 days respectively. Further, the company utilises ~70 percent of total working capital limits in the last six months ended June 2017.

#### Weaknesses

- **Moderate scale of operations**

ICPLs scale of operations is moderate with operating income of Rs.47.49 crore in FY2017 (Provisional) as compared to Rs.46.16 crore in FY2016. For Q1FY2018, Company reported operating income of ~Rs.12.00 crore.

- **Moderate financial risk profile**

ICPL's financial risk profile is moderate marked by low net worth of Rs.3.36 crore as on 31 March 2017 (Provisional) supported by unsecured loans of Rs.2.00 crore which are subordinated to bank

debt. The gearing (debt to equity ratio) stood at 2.14 times as on 31 March 2017 (Provisional) as compared to 1.32 times as on 31 March 2016. Total debt of Rs.5.19 crore mainly includes working capital facility of Rs.3.84 crore as on 31 March 2017 (Provisional). The interest coverage ratio (ICR) stood at 2.63 times for FY2017 (Provisional) as compared to 1.83 times for FY2016.

• **Presence in highly fragmented and competitive service industry**

ICPL operates in highly fragmented and competitive service industry with presence of large number of players in the organised and unorganised segment.

**Analytical Approach**

SMERA has considered the standalone business and financial risk profile of ICPL to arrive at the rating.

**Outlook: Stable**

SMERA believes that ICPL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

**About the Rated Entity - Key Financials**

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.0.60 crore on operating income of Rs.47.49 crore as against net profit after tax of Rs.0.34 crore on operating income of Rs.46.16 crore in FY2015-16. The net worth stood at Rs.5.36 crore as on 31 March, 2017 (Provisional) compared to Rs.4.43 crore as on 31 March, 2016.

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

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

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

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA A4+

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### ABOUT SMERA

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