

Press Release

INDIGO INFORMATION SYSTEMS PRIVATE LIMITED

February 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 8.00 crore bank facilities of INDIGO INFORMATION SYSTEMS PRIVATE LIMITED. The outlook is '**Stable**'.

Indigo Information Systems Private Limited (IISPL), a Karnataka-based company was incorporated in 2004 by Mr. Madhusudan Shetty, Mr. Harikumar V S and Mr. Santosh Udhayavar. The company offers IT related services including RFID, Biometric, GPS, Communication solutions, GIS based survey, analytics and consultation to corporates. It also offers document management and archival services.

Key Rating Drivers

Strengths

- **Experienced management, long track record of operations**

IISPL is promoted by Mr. Madhusudhan Shetty, Mr. Harikumar V S and Mr. Santosh Udhayavar. The management possesses experience of over 25 years in the IT industry. The long track record of operations has helped the company build long term relations with customers.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Asset days (GCA) of 283 as on 31 March, 2017 as against 418 days in the previous year. This is due to high debtor days of 109 as on 31 March, 2017 as against 152 days in the previous year. The inventory days stood at 115 days as on 31 March, 2017 as against 195 days in the previous year.

- **Average financial risk profile**

The financial risk profile is average marked by low networth, moderate gearing and comfortable debt protection metrics. The networth stood low at Rs.5.11 crore as on 31 March, 2017 as against Rs.1.11 crore in the previous year. The increase is mainly due to conversion of unsecured loans from promoters into equity. The gearing stood at 1.52 times as on 31 March, 2017 as against 6.61 times in the previous year due to increase in networth. The total debt of Rs.7.77 crore consists of unsecured loans from promoters of Rs.0.03 crore and short term borrowings of Rs.7.67 crore. The Interest Coverage Ratio (ICR) stood at 3.01 times as on 31 March, 2017 as against 3.50 times in the previous year. The TOL/TNW stood at 1.73 times as on 31 March, 2017 as against 9.43 times as on 31 March, 2016.

- **Customer concentration risk**

IISPL is exposed to customer concentration risk as the company derives around 45 percent of its revenue from a single customer i.e. Bruhat Bengaluru Mahanagara Palike (BBMP).

- **Highly fragmented and competitive industry**

The company is exposed to intense competition in the industry from several organised and unorganised players affecting its bargaining power.

Analytical Approach

SMERA has considered the standalone financials of the company.

Outlook: Stable

SMERA believes that IISPL will maintain a Stable outlook and continue to benefit over the medium term on account of the extensive experience of the promoters. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue or significant improvement in capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.36	9.21	4.86
EBITDA	Rs. Cr.	1.40	0.48	0.33
PAT	Rs. Cr.	0.61	0.17	0.14
EBITDA Margin	(%)	8.58	5.20	6.86
PAT Margin	(%)	3.76	1.86	2.89
ROCE	(%)	12.77	5.39	7.76
Total Debt/Tangible Net Worth	Times	1.52	6.61	6.09
PBDIT/Interest	Times	3.01	3.50	9.18
Total Debt/PBDIT	Times	5.49	15.19	14.80
Gross Current Assets (Days)	Days	283	418	442

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>
- 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>

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

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ABOUT SMERA

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