

## Press Release

### INDIGO INFORMATION SYSTEMS PRIVATE LIMITED

February 07, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.8.00 Cr.
<b>Long Term Rating</b>	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 Udhyavar. 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 Udhyavar. 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 network, moderate gearing and comfortable debt protection metrics. The network 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 network. 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.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

## Contacts

Analytical	Rating Desk
------------	-------------

<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>
<p>Deep Majumder Analyst - Rating Operations Tel: 022-67141147 <a href="mailto:deep.majumder@smera.in">deep.majumder@smera.in</a></p>	

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*