

## Press Release

### Indigo Information Systems Private Limited

April 18, 2019



### Rating Downgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	ACUITE BB-/ Outlook: Stable (Downgraded from ACUITE BB /Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB**' (read as **ACUITE double B**) and assigned the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 8.00 crore bank facilities of Indigo Information Systems Private Limited (IISPL). The outlook is '**Stable**'.

The rating has been downgraded on account of elongation in working capital cycle, deterioration in debt protection metrics and concerns over revenue visibility for the future. The working capital cycle of the company has increased to GCA days of 457 in FY2018 as against 283 days in FY2017. The company has registered revenue of Rs. 20.45 crore for FY2018 as against Rs. 16.36 crore for FY2017, which has been below the projected level of sales. Interest coverage ratio decreased to 1.91 times in FY2018 as against 3.01 times in FY2017. Similarly, DSCR decreased to 1.69 times for FY2018 as against 2.48 times for FY2017. Acuite believes that maintaining a stable financial risk profile and improvement in working capital management will be crucial to sustain its level of operations.

IISPL, a Karnataka based company was incorporated in 2004. The company is engaged into providing IT solutions to the corporates. The company provides solutions such as RFID, Biometric, GPS, Communication solutions, GIS based survey and Analytics. Further, apart from these, the company also provides outsourcing and consultation solutions with emphasis on document management and archival solutions.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of IISPL to arrive at the rating.

### Key Rating Drivers:

#### Strengths:

#### Experienced management

IISPL is promoted by Mr. Madhusudhan Shetty, Mr. Harikumar V S and Mr. Santosh Udhayavar. Mr. Shetty has over 25 years of experience in developing and implementation of security tracking and authentication solutions. Further, he also has experience in integrating custom made solutions with Microsoft technologies. Mr. Harikumar V. S. has more than 30 years of experience in the IT and Telecommunication Industry. He started his career in 1986 with Indian Space Research Organisation (ISRO). Mr. Santosh has over 16 years of experience in handling strategic and senior leadership roles. Thus, the management of the company has long standing experience in this line of operations, which has further helped the company to accomplish healthy relationships with the customers.

#### Weaknesses:

#### Moderate financial risk profile

The company has average financial risk profile marked by low net worth, moderate gearing and moderate debt protection metrics. The net worth stood low at Rs. 6.12 crore as on 31 March, 2018 as against Rs. 5.11 crore in the previous year. The gearing stood at 1.33 times as on 31 March, 2018 as against 1.52 times in the previous year. The total debt of Rs. 8.15 crore consists of working capital limits of Rs. 7.97 crore and term loans outstanding of Rs. 0.18 crore. Interest Coverage Ratio (ICR) decreased to 1.91 times as on 31 March, 2018 as

against 3.01 times in the previous year. TOL/TNW increased to 3.46 times as on 31 March, 2018 as against 1.73 times in the previous year. Acuite believes that maintaining a stable financial risk profile will be crucial for the company in order to sustain its scale of operations.

#### Working capital intensive nature of operations

The company has working capital intensive nature of operations marked by gross current asset (GCA) of 457 days as on 31 March, 2018 as against 283 days in the previous year. The reason for the same is due to high debtor days of 321 days as on 31 March, 2018 as against 109 days in the previous year. Further, the inventory days of the company stood at 127 days as on 31 March, 2018 as against 115 days in the previous year.

#### Liquidity Position:

IISPL has an average liquidity position. The net cash accruals for the firm stood at Rs. 0.79 crore for FY2018 as against Rs.0.68 crore for FY2017. The accruals stood below average against debt repayment obligations. The current ratio of the firm stood comfortable at 1.22 times in FY2018. The working capital facilities were utilised at 90 per cent in the last six months ending February 2019. The unencumbered cash and bank balance stood low at Rs.0.04 crore as on 31 March, 2018. Acuite believes that the liquidity of the company is likely to remain average over the medium term on account of its stretched working capital cycle and higher dependency on working capital limits.

#### Outlook: Stable

Acuite believes that IISPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues while achieving sustained improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.45	16.36	9.21
EBITDA	Rs. Cr.	2.15	1.40	0.48
PAT	Rs. Cr.	0.68	0.61	0.17
EBITDA Margin	(%)	10.50	8.58	5.20
PAT Margin	(%)	3.30	3.76	1.86
ROCE	(%)	15.36	12.77	9.63
Total Debt/Tangible Net Worth	Times	1.33	1.52	6.61
PBDIT/Interest	Times	1.91	3.01	3.50
Total Debt/PBDIT	Times	3.71	5.49	15.19
Gross Current Assets (Days)	Days	457	283	418

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

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

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Feb-2018	Cash Credit	Short Term	8.00	ACUITE BB / Stable (Assigned)

### \*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	3.00	ACUITE BB- / Stable (Downgraded from ACUITE BB)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- / Stable (Assigned)

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### About Acuité Ratings & Research:

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