

Press Release

Innowave IT Infrastructures Limited (I3L)

20 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 48.00 Cr.
Long Term Rating	SMERA BB/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

* Refer Annexure for details

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 48.00 crore bank facilities of Innowave IT Infrastructures Limited (I3L). The outlook is '**Stable**'.

The Mumbai-based Innowave IT Infrastructures Limited (I3L), engaged in staffing services was incorporated in 1995 by Mr. Lad and family. In 2011, the company was taken over by Mr. Anant Raghute (Director) to provide IT infrastructure solutions also apart from distributorship of cameras from FY2018.

Key rating drivers

Strengths

Experienced management: Mr. Anant Raghute, has over a decade's experience in the IT industry. Prior to taking over the management of I3L, he has worked in various companies including HCL Technologies, Electronic Data System and HP Enterprise Services. The extensive experience has helped the company build long term relations with customers including Municipal Corporation of Greater Mumbai, National Informatics Centre Services Inc., Urban Local Bodies in Maharashtra, HLL Lifecare Limited among others.

Healthy order book: The company has healthy order book of ~Rs.1409.30 crore as on 30 November, 2017 of which orders worth Rs.347.28 crore will be executed in FY2018 and Rs.427.66 crore in FY2019. This provides healthy revenue visibility in the near to medium term.

Weaknesses

High tangible networth to total outside liabilities: The total liabilities to tangible networth stands high at 5.55 times as on 31 March, 2017 compared to 6.38 times in the previous year on account of high creditors extended due to high receivables days.

Working capital intensive operations: The company has high Gross Current Asset (GCA) days of 330 in FY2017 as against 377 in FY2016. The GCA days are high on account of high debtors of 233, advances and other govt. receivables. As on September, 2017 the

company has debtors outstanding of Rs.144.00 crore against revenue of Rs.40.00 crore. The company has availed cash credit limit of Rs.10.00 crore in October, 2017 which has been utilised to the extent of ~ 90 per cent.

SMERA believes that efficient working capital management will be crucial to the company in maintaining a stable credit profile.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	214.24	202.03	211.53
EBITDA	Rs. Cr.	7.43	6.35	6.53
PAT	Rs. Cr.	3.86	3.96	3.76
EBITDA Margin	(%)	3.47	3.14	3.09
PAT Margin	(%)	1.80	1.96	1.78
ROCE	(%)	18.60	23.34	46.98
Total Debt/Tangible Net Worth	Times	0.48	0.00	0.00
PBDIT/Interest	Times	7.37	37.87	0.00
Total Debt/PBDIT	Times	2.07	0.00	0.00
Gross Current Assets (Days)	Days	330	377	296

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Any other information: Not Applicable

Outlook – Stable

SMERA believes that I3L will maintain a Stable outlook and continue to benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company improves its scale of operations and working capital management leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected revenue, profitability or deterioration in the working capital management or if the company undertakes larger than expected debt funded capex leading to further weakening of the financial risk profile.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Service Entities - <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>

Status of non-cooperation with previous CRA (if applicable): None

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. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	10.00	SMERA BB/Stable
Bank Guarantee	NA	NA	NA	38.00	SMERA A4+

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ABOUT SMERA

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