



Press Release

Innowave IT Infrastructures Limited

March 29, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 48.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 48.00 crore bank facilities of INNOWAVE IT INFRASTRUCTURES LIMITED (IIL). The outlook is '**Stable**'.

The Mumbai-based, IIL was incorporated in 1995 by Mr. Lad and family. The company was engaged in staffing services. 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of IIL to arrive at this rating.

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 IIL, 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 and HLL Lifecare Limited, among others.

- **Healthy order book**

The company has healthy order book of ~Rs.1024.00 crore as on February 2019 of which orders worth Rs.166.17 crore will be executed in FY2018-19 and Rs.356.15 crore in FY2019-20. This provides healthy revenue visibility in the near to medium term.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by high net worth, comfortable debt protection measures and low gearing. The net worth is high at Rs.38.36 crore as on 31 March, 2018 as against Rs.32.38 crore as on 31 March, 2017. The gearing (debt to equity) of the company stood comfortable at 0.59 times as on March 31, 2018 as against 0.48 times as on March 31, 2017. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) stood at 2.70 times in FY2018 as against 5.45 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on 31 March, 2018 as against 0.27 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 2.10 times in FY2018 as against 5.14 times in FY2017. Acuite believes that the financial risk profile of IIL will continue to remain comfortable over the medium term on account of its improving scale of operations and net cash accruals.

Weaknesses

• Intensive working capital operations

IIIL has intensive working capital operations marked by high Gross Current Assets (GCA) of 359 days in FY2018 as against 330 days in FY2017. The inventory and debtor levels stood at 3 and 269 days in FY2018 as against 4 and 233 days in FY2017, respectively. As a result, the bank limits are fully utilised in the last six months ending February 2019.

• Stagnant scale of operations and stable profitability

The company reported decline of around 3.50 per cent in revenue marked by operating income of Rs.206.49 crore in FY2018 as against Rs.214.24 crore in FY2017. Further, revenues registered for the period April, 2018 to February, 2019 is around Rs.98.03 crore (Provisional) and it is expected to be around Rs.202.85 crore (Provisional) by the end of March, 2019. However, the operating margins of the company increased to 6.88 percent in FY2018 from 3.47 percent in FY2017. Further, the Profit After Tax (PAT) margin also increased to 2.90 per cent in FY2018 from 1.80 per cent in FY2017.

Liquidity Position:

IIIL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.08-6.52 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.41 crore over the same period. The cash accruals of the company are estimated to remain around Rs.6.42-7.65 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.41 crore. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 359 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains fully utilised during the last 6 months period ended February 2019. The company maintains unencumbered cash and bank balances of Rs.1.49 crore as on March 31, 2018. The current ratio of the company stands at 1.29 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term. However, successful completion of the orders will be key rating sensitivity.

Outlook: Stable

Acuite believes that IIIL will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in IIIL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	206.49	213.73	202.03
EBITDA	Rs. Cr.	14.21	6.93	6.35
PAT	Rs. Cr.	5.98	3.86	3.96
EBITDA Margin	(%)	6.88	3.24	3.14
PAT Margin	(%)	2.90	1.80	1.96
ROCE	(%)	26.37	18.60	23.34
Total Debt/Tangible Net Worth	Times	0.59	0.48	0.00
PBDIT/Interest	Times	2.70	7.37	37.87
Total Debt/PBDIT	Times	1.53	2.07	0.00
Gross Current Assets (Days)	Days	359	331	377

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

None.

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

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
20-Feb-2018	Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	38.00	ACUITE A4+ (Assigned)

*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	10.00	ACUITE BB / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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