

Press Release

ARMEE INFOTECH PRIVATE LIMITED

March 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 21.00 crore bank facilities of ARMEE INFOTECH PRIVATE LIMITED. The outlook is '**Stable**'.

Armee Infotech Private Limited started as a partnership firm namely M/s Armee Infotech in 2002 with three partners namely Mr. Kirit C Patel, Mrs. Ami R Patel and Mr. Riddhish K Patel converted to a private entity in April, 2017. The firm was engaged in trading of computer systems, peripheral and other allied products. Later, AIPL became a system integrators supporting players like HCL, Wipro, HP, Acer and the like in providing last mile solutions with regard to installation, networking, maintenance and repairing across Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Andhra Pradesh, etc.

Key Rating Drivers

Strengths

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

Established in 2002, AIPL is engaged in providing system integration services to large corporate and Govt. bodies. The company has an experienced management team having decades of experience in the IT industry. The company is promoted by Mr. Riddhish Patel, having more than a decade old experience in the field of software and hardware and Mr. Kiritbhai Patel, having experience in IT support and hardware services.

- **Diversified customer profile and geographic presence**

The company has presence across India with projects across regions mitigating the geographic concentration risk since the major portion of the business of the company is tender based. The company has a huge customer base. The top 10 customers account for around 40 per cent of the sales. Thus catering to a variety of diversified customer base in the industry.

- **Moderate Financial Risk Profile**

The financial risk profile of the firm is moderate with debt at Rs. 11.84 crore as on 31 March, 2017 as against Rs. 10.92 crore as on 31 March, 2016. The gearing ratio stood at 0.87 times as on 31 March, 2017 as against 2.07 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 3.70 times for FY2017 and debt service coverage ratio (DSCR) stood at 2.65 times. The net cash accruals to total debt (NCA/TD) stood at 0.19 times in FY2017 as against 0.21 times in FY2016.

Weaknesses

- **Modest scale of operations with low profitability**

AIPL operates at moderate scale with operating income of Rs. 104.16 crore in FY2017 and Rs. 91.34 crore in FY2016. Further, it has reported Rs. 101.52 crore (9M Provisional). Though the company deals with some of the big players in the IT industry, the scale remains modest. AIPL reported EBITDA margin of 4.36 percent for FY2017 as against 4.23 percent in the previous year. Profit after tax (PAT) margin is thin at 2.06 percent

for FY2017 as against 2.47 per cent in the previous year. SMERA believes that scaling up of operations while maintaining profitability remains a key sensitivity.

• **Moderate Working Capital Intensity**

The working capital operations are moderate marked by GCA days of 183 in FY2017 compared to 117 days in FY2016. The GCA days are mainly marked by high debtor days of 112 in FY2017 as against 73 days in FY2016. Also, the company has advances and loans given to suppliers and others to the tune of Rs. 14.28 cr further impacting the liquidity position. The creditor days stood at 126 in FY2017 and 63 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes AIPL will maintain a Stable outlook over the medium term owing to experienced management and long track record of operations. The outlook may be revised to Positive in case the company registers more than expected growth in revenues while achieving improvements in its profitability. Conversely the outlook may be revised to Negative in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	104.16	91.34	90.06
EBITDA	Rs. Cr.	4.54	3.86	3.14
PAT	Rs. Cr.	2.15	2.25	0.66
EBITDA Margin	(%)	4.36	4.23	3.48
PAT Margin	(%)	2.06	2.47	0.74
ROCE	(%)	24.11	25.88	35.41
Total Debt/Tangible Net Worth	Times	0.87	2.07	7.96
PBDIT/Interest	Times	3.70	2.56	1.33
Total Debt/PBDIT	Times	2.38	2.36	4.86
Gross Current Assets (Days)	Days	183	117	203

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

CRISIL-Mar 20, 2018: "CRISIL has been consistently following up with Armee Infotech (AI) for obtaining information through letters and emails dated February 15,2018 and February 21,2018 among others, apart from telephonic communication. However, the issuer has remained non cooperative."

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.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	7.00	SMERA BBB-/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	13.75	SMERA A3
Proposed	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA BBB-/ Stable

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ABOUT SMERA

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