Acuite
RATINGS & RESEARCH

Press Release

Add Technologies India Limited

October 16, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE B+ / Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** and short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs.15.00 crore bank facilities of ADD TECHNOLOGIES INDIA LIMITED (ATIL). The outlook is '**Stable**'.

Add Technologies (India) Limited was incorporated in the year 1995, and it started commercial operations from 2006 as an engineering and technology expertise organization. Add Technologies (India) Limited currently provides Any Time Payment (ATP) services majorly to electricity boards and banks. It also provides GPS Safety products and solutions. The company has presence in about seven states comprising Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh and West Bengal. Currently, the company is having contracts with BESCOM, MESCOM, CESCOM, HESCOM, BSNL, BWSSB, WBSEDCL, MSEDCL, CSPDCL, having installed 700 machines in various locations.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of ATIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experience of promoters and established track record of operations**
  ATIL is promoted by Mr. Anil Kumar Sethi, Mr. Srinivasa Sundarajaiyengar Kallahalli, Mr. Prithvi Gururajarao, and Mr. William D'Souza. The extensive experience of the promoters is reflected through established relationship with its customers includes BESCOM, MESCOM, CESCOM, HESCOM, BSNL, BWSSB, WBSEDCL, MSEDCL, among others, also banks namely Syndicate Bank and Punjab National Bank; with major concentration in revenues from the electricity boards. The company also provides GPS Safety products and solutions with customers in educational institutes such as Euro Kids, Akshaya Patra Foundation, ITC Limited, among others. Also on implementation of AIS 140, which mandates all commercial vehicles with a yellow number plate to bear a tracking device, has helped them acquire business in the logistics segment. ATIL has an estimated order book of about Rs.36.85 crore for FY2020 and FY2021 reflecting adequate revenue visibility.

- **Moderate financial risk profile**
  The financial risk profile of the company is moderate marked by moderate gearing, total outside liabilities to total net worth (TOL/TNW); however, partly constrained by below-average debt protection metrics. Gearing and TOL/TNW is moderate at 0.74 times and 0.97 times as on 31 March, 2019 as against 0.69 times and 1.00 times as on 31 March, 2018, respectively. Of the total debt of Rs. 4.80 crore as on 31 March, 2019, short term debt constitutes Rs. 2.23 crore and unsecured loans from related parties of Rs. 2.57 crore. The company has undergone capital expenditure in FY2018 and FY2019 of Rs. 0.50 crore to Rs. 1.00 crore for the modernization and upgradation of kiosks and machineries. The declining revenues and mounting pressure on profits lead to weak coverage ratios. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood below average at 0.98 times and 0.06 times, respectively in FY2019. The company reported cash accruals of Rs. 0.29 crore for FY2019. Further, repayment obligations are expected to be nil against annual cash accruals of about Rs. 0.30 crore to Rs. 0.50 crore. Acuité believes that with expected improvement in revenues, growth in profitability, the financial risk profile is expected to improve over the medium term.

Weaknesses

- **Working capital intensive operations**
  Operations of the company have shown moderate working capital management marked by gross current assets (GCA) at about 221 days in FY2019 as against 178 days in FY2018; deterioration in the GCA is owing to high receivable days at about Rs. 3.70 crore as of March 31, 2019 (~141 days approximately) against 117 days in FY2018; inventory stood at 28 days as on FY2019. More so, the payable days stretch in to about 201 days in FY2019 against 206 days in FY2018. This resulted in, high utilisation of its bank lines at about 91 per cent over last six months through July 2019; also, its current ratio is moderate at about 2.43 times as of March 31, 2019. Acuité believes that ATIL's operations continue to be working capital intensive basis the business cycle.

- **Modest and declining revenues**
  The revenue profile of the company has taken a significant over the past three years. From a topline at about Rs.17.00 crore in FY2017 it dropped to Rs. 9.00 crore in FY2019. This has happened mainly due to decline in the sales of the ATP kiosks and non-renewal of existing tenders from the electricity boards.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Expected growth in business
- Moderate working capital operations leading deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity

Liquidity profile of ATIL is stretched reflected by decreasing cash accruals. It has reported cash accruals of Rs. 0.29 crore in FY2019. It is expected to generate cash accruals in the range of Rs.0.30 crore- Rs. 0.50 crore over the medium term against, which it has no repayment obligations. Moreover, liquidity is constrained by its working capital limits which are utilised at about 91 per cent for the last six months through July 2019. The current ratio stood comfortable at 2.43 times in FY2019. Acuité believes that the liquidity profile continues at similar level owing to modest accruals and working capital intensive operations.

Outlook: Stable

Acuité believes that ATIL will maintain a 'Stable' outlook over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in revenues while improving the profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile caused by losses leading to decrease in networth or elongated working capital cycle leading to further stretch in its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	9.71	14.58	17.91
EBITDA	Rs. Cr.	0.80	2.56	3.63
PAT	Rs. Cr.	(0.94)	0.18	0.09
EBITDA Margin	(%)	8.27	17.55	20.28
PAT Margin	(%)	(9.71)	1.25	0.48
ROCE	(%)	(3.02)	9.14	21.31
Total Debt/Tangible Net Worth	Times	0.74	0.69	0.90
PBDIT/Interest	Times	0.98	2.66	2.80
Total Debt/PBDIT	Times	5.53	1.97	1.84
Gross Current Assets (Days)	Days	221	178	150

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
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Service Entities – https://www.acuite.in/view-rating-criteria-8.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History
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	1.50	ACUITE B+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.