

Press Release

Add Technologies India Limited

December 01, 2020

Rating Downgraded and Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Downgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE B**' (read as **ACUITE B**) from '**ACUITE B+**' (read as **ACUITE B plus**) and reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.00 Cr bank facilities of Add Technologies India Limited. The outlook is '**Stable**'.

The rating downgrade is based on a continued decline in the operations reflected by declining revenues and declining profitability margins leading to net level losses from the last two years. The company recorded a revenue figure of Rs.8.3 Cr for FY2020 compared to Rs.9.7 Cr in the previous year. It has a modest unexecuted order book of ~Rs.7 Cr to be completed by March, 2021. Moreover, the rating has been constrained on account of stretched liquidity and highly utilised working capital limits coupled with negative cash accruals.

Add Technologies (India) Limited was incorporated in the year 1995 and 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 a presence in about seven states comprising Karnataka, Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh and West Bengal.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ATIL for arriving at the rating.

Key Rating Drivers

Strengths

- Experienced management**
 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 an established relationship with its customers includes BESCOM, MESCOM, CESCO, HESCO, BSNL, BWSSB, WBSEDCL, MSEDCL, among others, also banks namely Syndicate Bank and Punjab National Bank; with a 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, major thrust and demand for GPS tracking devices, has helped their logistics segment revenue go up. ATIL has an estimated order book of about Rs.7 Cr to be executed by March 31, 2021 and Rs.4 Cr beyond FY2021 reflecting modest revenue visibility.

Weaknesses

- Below average financial risk profile**
 ATIL's financial risk profile has deteriorated from moderate to below average, marked by a modest networth, high gearing (debt-to-equity) and total outside liabilities to tangible networth (TOL/TNW) and below average debt protection measures. Its networth has remained modest at around Rs.3.87 Cr as on March 31, 2020. The net losses in FY2019 and FY2020 have led to erosion in the reserves causing a simultaneous decline in the networth. The gearing ratio stood moderate at 1.12 times as on March 31, 2020 against 0.74 times as on March 31, 2019. TOL/TNW stood moderate at about 1.32 times in FY2020

against 0.97 times as on March 31, 2019. The company has no plans for any majorly funded debt funded capital expenditure in the medium term. Debt protection metrics of Interest coverage ratio and net cash accruals to total debt stood weak at negative (4.58) times and (0.16) times in FY2020 respectively due to net losses in FY2020. The company reported negative cash accruals of Rs. (1.54) Cr for FY2020. Acuite believes that the financial risk profile is expected to remain on a similar range considering the modest net worth coupled with below average debt protection metrics.

- **Working capital intensive operations**

Operations of the company have shown working capital-intensive operations marked by gross current assets (GCA) at about 209 days in FY2020 as against 221 days in FY2019; improvement in the GCA is owing to improved receivable days at about 133 days as of March 31, 2020 against 141 days in FY2019; inventory stood at 21 days in FY2020. More so, the payable days stretch into about 125 days in FY2020. This resulted in, high utilisation of its bank lines at about 85 per cent over last twelve months through September 2020; also, its current ratio is moderate at about 1.35 times as of March 31, 2020. Acuite believes that ATIL's operations continue to be working capital intensive basis the business cycle

- **Declining revenues and net level losses**

The revenue profile of the company has taken a significant hit over the past three years. From a topline at about Rs.17.00 Cr in FY2017 it dropped to Rs. 8.36 Cr in FY2020. This has happened mainly due to a decline in the sales of the ATP kiosks and non-renewal of existing tenders from the electricity boards. The profitability has also taken a downturn due to this, leading to net losses of Rs. (2.62) Cr in FY2020 against Rs. (0.94) Cr in FY2019.

Rating Sensitivities

1. Significant improvement in operations leading to healthy growth in revenue and improvement in the profitability
2. Further stretch in the working capital management leading to any negative impact on the liquidity profile

Liquidity: Stretched

Liquidity profile of ATIL is stretched reflected by decreasing trend to negative cash accruals in FY2020. It has reported cash accruals of Rs. (1.54) Cr in FY2020 against which it has no repayment obligations. Moreover, liquidity is constrained by its working capital limits which are utilised at about 85 per cent for the last twelve months through September 2020. The current ratio stood moderate at 1.35 times coupled with low cash and bank balances at Rs.0.15 Cr as on March 31, 2020. Acuite believes that the liquidity profile continues at a similar level owing to continued negative accruals and highly working capital-intensive operations.

Outlook: Stable

Acuite 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 a significant improvement in revenues while improving the profitability levels. 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	8.36	9.71
PAT	Rs. Cr.	(2.62)	(0.94)
PAT Margin	(%)	(31.40)	(9.71)
Total Debt/Tangible Net Worth	Times	1.12	0.74
PBDIT/Interest	Times	(4.58)	0.98

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
16-Oct-2019	Cash Credit	Long Term	1.50	ACUITE B+/Stable (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	4.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	3.00	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	1.50	ACUITE B/Stable (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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