

Press Release

IIC Technologies Private Limited

August 06, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs.64.68 Cr.
Long Term Rating	ACUITE BBB- / Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.64.68 Cr. bank facilities of IIC Technologies Private Limited (IIC TPL). The outlook is '**Stable**'.

About the company

Hyderabad based, IIC Technologies Private Limited was incorporated in the year 1994 by Mr. Rajesh Alla and Ms. Mrudula Alla. The company engaged in providing of geospatial solutions and services for the acquisition, management, integration and dissemination of geospatial data. With its global presence, IIC Technologies provides end-to-end geospatial solutions to the Aeronautics, Defense, Government, Infrastructure, Marine, Oil & Gas, Transportation and Utility sectors. The company caters to different industries w.r.to geospatial solutions, mapping, geo survey, engineering drawings, electronic navigation charts, digital navigation charts, providing data bases, portal, solutions and attributes.

About the group

IIC Technologies Private Limited is the holding company of IIC Technologies Inc. based out of USA incorporated in the year 2001. IIC Technologies Inc. (USA) is the holding company of IIC Technologies Inc. (Canada) formed in the year 2001, IIC Technologies Limited (UK) was acquired in 2010, IIC Technologies Pty Limited (Australia) was formed in 2006, IIC Technologies Limited (New Zealand) was formed in the year 2019. The group is involved in providing digital mapping services in the respective countries of incorporation. The Parent and Subsidiary companies are referred to as 'IIC Group' (IICG).

Rationale for Rating Assigned

The rating assigned to the bank facilities of IICG factors in its established track record of operations, experienced management, moderate scale of operations, sustainable profitability margins moderate order book position and reputed clientele. These strengths are offset by its moderate working capital management, competitive and fragmented in and susceptibility of revenues and profitability to tender based nature of operations, gradual realization of its receivables.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of IIC Technologies Private Limited and its subsidiary companies IIC Technologies Inc. (USA), IIC Technologies Inc. (Canada), IIC Technologies Limited (UK), IIC Technologies Pty Limited (Australia) and IIC Technologies Limited (New Zealand) on account of same management, similar nature of business and significant inter-company transactions between the entities to arrive at the rating. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management, established track record of operations, reputed clientele and moderate orders in hand**
IICG is promoted by Mr. Rajesh Alla who possess about three decades of experience in Geographical Information Systems (GIS) and Solutions. The promoter's extensive experience and qualified management

has helped the group to cater to reputed clients, maintaining established relation with the customers helped to get repeated orders from the existing clients. The group caters to government organizations and private clients across different nations. The group is operating in the niche segment, hence the risk of new entrants into the industry is minuscule. The group has an unexecuted order book of Rs.290 Cr as on June 30, 2021, which is expected to be executed in the next 2 years. Further, Rs.60 Cr in pipeline which is expected to be awarded in the next 1-2 months.

Acuite believes that the promoter's extensive industry experience will aid IICG's business risk profile over the medium term.

• **Moderate scale of operations and profitability margins**

The scale of operations of the group remained moderate at Rs.112.18 Cr in FY2021 (Provisional) as against Rs.157.20 Cr in FY2020 and Rs.146.34 Cr in FY2019. The scale of operations for the standalone entity stood at Rs.60.42 Cr for FY2021 (Provisional) Rs.79.14 Cr for FY2020, Rs.78.82 Cr for FY2019. The revenues for FY2021 (Provisional) were impacted owing to Covid-19 impact. The profitability margins of the group remained satisfactory albeit fluctuating owing to operational challenges faced by the subsidiary company; where it was unable to execute the orders and low orders awarded during FY2018 and FY2019, and the subsidiary has to incur fixed overheads which led to losses during the particular period. EBITDA margin of the group stood at 0.53 percent in FY2019, 13.87 percent in FY2020 and 8.18 percent in FY2021 (Provisional). The profitability margins of the standalone company has remained satisfactory and fluctuating over the review period FY2019-2021. The EBITDA margins stood at 14.82 percent in FY2019 and 20.50 percent in FY2020 and 14.99 percent in FY2021 (Provisional). As the group is into bidding of government orders, the revenue and margins are susceptible to it.

Acuite believes that the revenue is expected to improve backed by its moderate order book position and profitability margins are expected to remain satisfactory over the medium term.

• **Moderate financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The networth of the group stood at Rs.79.08 Cr as on March 31, 2021 (Provisional) as against Rs.74.47 Cr as on March 31, 2020. The gearing (debt-to-equity) stood at 0.40 times as on March 31, 2021 (Provisional) as against 0.54 times as on March 31, 2020. The gearing marginally improved owing to marginal decline in total debt levels on account of short term borrowings. Debt protection metrics interest coverage ratio and debt service coverage ratio stood at 4.15 times and 3.16 times as on March 31, 2021 (Provisional) respectively as against 4.87 times and 2.28 times as on March 31, 2020 respectively. Marginal decline in debt protection metrics was on account of decline in absolute EBITDA due to decline in total operating revenue. TOL/TNW stood at 0.71 times and 1.04 times as on March 31, 2021 (Provisional) and 2020 respectively.

Acuite believes that the financial risk profile of the group is expected to remain moderate over the medium term on account of moderate cash accruals and no significant debt-funded capex plans.

Weaknesses

• **Stretched realization of accounts receivables**

IICG has an accounts receivable portion of Rs.63.78 Cr as on March 31, 2021 (Provisional) mainly pertaining to the parent company. (IIC Technologies Private Limited (India)). Most of these receivables are from Government organizations based in India. Marginal improvement in receivables observed over the last 3 months ending June 2021, where the group has realized the receivables portion of Rs.17.78 Cr as on June 2021; which provides a comfort that the group is slowly realizing the payments due to them. Moreover, the subsidiary companies do not have the issues pertaining to the collections as they have been realizing the payments in time. Acuite believes that the realization of the receivables would remain a key rating sensitive factor.

• **Working capital intensive operations**

The working capital operations of the company are intensive with GCA days of 294 days as on March 31, 2021 (Provisional) as against 222 days as on March 31, 2020. This is on account of stretched debtor days. The debtor days stood at 209 days as on March 31, 2021 (Provisional) as against 189 days as on March 31, 2020.

The stretched debtor days are on account of delay in collections from Government organizations and due to Covid-19 impact. Moreover, the group generates majority of the revenue portion in the Q4 of every financial year, which lead to accumulated receivables portion higher; and the realization of these payments fall on the Q1 of the subsequent financial year. The working capital limits of the company remained utilized at ~71 percent for the last nine months ended June 2021. Acuite believes that the operations of the IICG will remain moderate in the medium term too.

Rating Sensitivity factors

- Timely realization of receivables
- Lower-than-expected revenue or profitability leading to lower net cash accruals

Material Covenants: None

Liquidity Position: Adequate

IICG has adequate liquidity marked by adequate net cash accruals as compared to its maturing debt obligations. IICG generated net cash accruals of Rs.10.90 Cr for FY2021 (Provisional) vis-à-vis maturing debt obligations of Rs.0.90 Cr over the same period. The cash accruals are estimated to be around Rs.8-13.00Cr during FY2022-24 vis-à-vis repayment obligations in the range of Rs.4.62 Cr to Rs.1.86 Cr. IICG maintained unencumbered cash and bank balances of Rs.15.82 Cr as on March 31, 2021 (Provisional). The current ratio stood modest at 1.67 times as on March 31, 2021 (Provisional). The working capital limits of the company remained 71 utilized for the last six months ended June, 2021. Despite the slow realization of the receivables the group has managed to lower its dependence on working capital limits. Acuite believes that the group's liquidity is expected to remain adequate over the medium term.

Outlook: Stable

Acuite believes that IICG will continue to benefit over the medium term due to its experienced management and moderate order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management and timely collection of receivables. Conversely, the outlook may be revised to 'Negative' in case IICG registers lower-than-expected decline in revenues and profitability or any significant stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity and any further stretch in receivables collection.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	112.18	157.20
PAT	Rs. Cr.	3.38	7.68
PAT Margin	(%)	3.01	4.89
Total Debt/Tangible Net Worth	Times	0.40	0.54
PBDIT/Interest	Times	4.15	4.87

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Criteria for Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Lender Name	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	State Bank of India	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Assigned)
Standby line of credit	State Bank of India	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Assigned)
Term Loan	State Bank of India	Apr 2020	7.40	Dec 2022	1.34	ACUITE BBB-/Stable (Assigned)
Term Loan	State Bank of India	Sept 2020	7.40	Sept 2024	6.34	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	State Bank of India	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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