

Press Release

IIC Technologies Private Limited (Erwhile IIC Technologies Limited)

November 02, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	32.68	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	64.68	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating

The rating reaffirmation is primarily driven by the sustained scale of operations marked by the improvement in profitability margins and financial risk profile of the company. IICT has been able to sustain its operations in FY2022 on the back of continuous and repetitive orders from domestic and international customers and has recorded operating income of Rs 148.93 in FY22 against Rs. 117.91 Cr in FY21. Operating margins improved 19.62 percent in FY2022 against 16.97 percent in FY2021. The interest rate coverage improved to 6.65 times as on March 31st 2022 against 5.22 times as on FY2021. IICT's working capital operations are intensive with GCA days of 232 as on March 31, 2022, thereby increasing moderate dependence on working capital limits with average utilization being around ~65 percent. The leverage position of the company has improved as evident from the improvement in the gearing ratio to 0.16 times as on March 31, 2022 from 0.35 times as on 31st March 2021. Networth of the company improved and stood at Rs.96.42 Cr against Rs 82.86 Cr as on March 31st 2021.

The rating reaffirmation favorably factors in experienced management and established track record in geo spatial solution and reputed clientele in both government and private sectors. Ratings, however, are constrained by high debtor days and exposure to foreign exchange risk.

About Company

Hyderabad based, IIC Technologies Limited incorporated in the year 1994 by Ms. Mrudula Alla and Mr. Rajesh 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 and services to the Aeronautics, Defence, Government, Infrastructure, Marine, Oil & Gas, Transportation and Utility sectors. IIC technologies has experience across diverse geographies

and industries, in disciplines like marine and terrestrial solutions, geo surveys and geophysical surveys, software development and systems integration.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered business and financial risk profiles of IIC Technologies Ltd and subsidiary companies IIC Technologies Inc.(US), IIC Technologies Inc.(Canada), IIC Technologies Pty Ltd(Australia), IIC technologies Ltd(UK) and IIC Technologies Ltd(NZ), to arrive at the rating on account of common management, strong operational and financial linkage.

Key Rating Drivers

Strengths

Establish track record of Operations and Experienced management in Geo Spatial Solutions:

IICCT has more than 25 years of experience in providing geospatial solutions and services, with capabilities in marine charting, land mapping and software design solutions to reputed government clientele and corporations engaged in oil and gas, transportation, infrastructure and Utility sectors. Company has its corporate office in Hyderabad and branch office at Vizag SEZ for providing data processing services for overseas clientele. Company has subsidiaries in US and Canada named IIC Technologies Inc.(US) and IIC Technologies Inc. (Canada) both established in 2001 for providing GIS services in US and Canada. IIC Technologies Pty Ltd (Australia) was formed in 2006 for providing digital mapping services to Australian clientele and IIC Technologies Ltd(UK) was formed in 2010 for providing digital mapping services for European clientele and company has recently established an office in New Zealand for service New Zealand based clientele. IIC technologies Pvt Ltd(India) is holding company of all its subsidiaries.

Engaged in providing end-to-end geo spatial solutions

IICCT is engaged in providing end-to-end geo spatial solutions this involve collection of data and processing data as per requirement of clients. Data collection is done either through aerial surveys using aircrafts or manual surveys involving ground vehicles and surveying equipment's, for performing aerial surveying IICCT owns two aircrafts. IICCT's corporate office in Hyderabad provides services of both collection and processing of data, branch office at Vizag SEZ provides only processing services for its subsidiaries and overseas clientele. IICCT's subsidiaries at US, Canada, UK and Australia has their own independent marketing, data processing teams and performs data collection services by hiring aircrafts and other required equipment.

Reputed Clientele in both government and private sector

The company has established relationship with its customers across different nations; which helped them in getting the repeated orders from client and also with the companies established track record of operations and experience of promoters and qualified management has helped the company in getting the government orders from Survey of India, various state government departments and public sector undertakings. The company also caters to private company like BOSCH, UKHO, SHOM, Digital globe etc. Company receives government orders through participation in tendering process, historically company undertook both state and central government projects but due to delay in receivables from various state governments; now company is majorly focusing on central government and private company projects.

Weaknesses

Working capital Intensive Operations

The working capital operations of the company are intensive with GCA days of 232 days as on March 31, 2022 as against 271 days as on March 31, 2021. This is on account of stretched debtor days. The debtor days stood at 167 days as on March 31, 2022 as against 175 days as on March 31, 2021. The stretched debtor days are on account of delay in collection from state governments and government agencies; the receivables for FY2022 further delayed owing to 50 percent of revenue proportion caters to last quarter of FY2022. The working capital limits of the company remained utilized at 65 percent for the last twelve months ended August 2022.

Exposed to foreign Exchange Risk

The company is exposed to currency fluctuations for its foreign currency receivables and adverse movement in exchange rate. However, it has reported positive gains on foreign currency variation in last two years due to sizable export revenue and favorable movement in exchange rate.

Rating Sensitivities

- Continuous improvement in the scale of operations while maintaining profitability leading to improvement in overall financial risk profile.
- Stretch in working capital cycle, leading to an increase in working capital borrowing and weakening of financial risk profile.

Material Covenants

None

Liquidity: Adequate

IICT group's liquidity is adequate marked by comfortable cash accruals to its debt obligations. It reported cash accruals of Rs.17.25 Cr in FY2022, its accruals are expected in the range of Rs18.00-12.50 Cr in FY2023-25 against its repayment obligations of Rs.1-2 crore during the same period. The current ratio of the company stands at 2.26 times and cash and bank balances stood at Rs.11.49 Cr as on March 31, 2022. Company's GCA days are around 232 days this makes company dependent on bank borrowing for working capital requirement. Average bank limit utilization stood at ~65 percent for the last 12 months ended August 2022.

Outlook: Stable

Acuité believes that IICT will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'negative' in case of moderation in liquidity profile and its profitability margins, and deterioration in debt protection indicators.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	148.93	117.91
PAT	Rs. Cr.	11.32	7.26
PAT Margin	(%)	7.60	6.16
Total Debt/Tangible Net Worth	Times	0.16	0.35
PBDIT/Interest	Times	6.65	5.22

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Aug 2021	Term Loan	Long Term	1.34	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	32.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	6.34	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Apr 13 2020 12:00AM	7.40	Dec 31 2022 12:00AM	1.34	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Sep 17 2020 12:00AM	7.40	Sep 30 2024 12:00AM	6.34	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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