



SMERA RATINGS LIMITED

# ITP Infotech Private Limited (IIPL)

## Rating Rationale

**October 17, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.50	SMERA B/ Stable (Reaffirmed)
Term Loan	0.15	SMERA B/ Stable (Reaffirmed)
Letter of Credit*	3.00	SMERA A4 (Reaffirmed)

*\*Includes Sublimit of Bank Guarantee to the extent of Rs.1.00 crore*

SMERA has reaffirmed the rating of '**SMERA B**' (read as **SMERA single B**) on the Rs.3.65 crore long-term bank facility and '**SMERA A4**' (read as **SMERA A four**) on the Rs.3.00 crore short-term bank facility of ITP Infotech Private Limited (IIPL). The outlook is '**Stable**'. The ratings remain constrained by the company's small-scale operations in a highly competitive segment of the wires and cables industry. The ratings are also constrained by the company's low profit margins, which are highly susceptible to volatility in raw material prices. However, the ratings are supported by the company's experienced management and reputed clientele.

### Update

IIPL's operating income increased from Rs.14.35 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.15.32 crore (provisional) in FY2013-14. The company reported operating profit of Rs.1.22 crore (provisional) in FY2013-14, as compared with operating loss of Rs.0.05 crore in the previous year. IIPL registered net profit of Rs. 0.07 crore (provisional) in FY2013-14, as compared with net loss of Rs. 1.13 crore a year earlier. There were no major changes in the company's capital structure in FY2013-14.

Notwithstanding growth in operating income, IIPL continues to have a small operating scale with operating income of Rs.15.32 crore (provisional) in FY2013-14. The company faces intense competition from several players in the wires and cables industry. IIPL's net profit margin is low at 0.47 per cent (provisional) in FY2013-14. The company's profit margins remain susceptible to volatility in raw material prices. IIPL's inventory holding period stretched from 97 days in FY2012-13 to 133 days in FY2013-14 on account of high stock of finished goods.

IIPL continues to benefit from its experienced management. Mr. Brij Mohan Vaish, director of IIPL, has around four decades of experience in the wires and cables industry. IIPL also benefits from its established relations with several reputed customers including Su-kam Power Systems Limited, Llyod Electric & Engineering Limited, Luminous Power Technologies Limited and General Electric (GE).

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### Outlook: Stable

SMERA believes IIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with reputed customers. The company's ability to register strong growth in revenues and profitability while achieving improvement in working capital management and financial risk profile remains the key rating sensitivity.

### About the company

IIPL, incorporated in 1995 and operational since 2003, is mainly engaged in manufacturing wiring harness, coil assemblies, relays, power cords, lanterns and solar products. IIPL caters to customers based in New Delhi, Haryana and Uttarakhand. The company has a registered office in New Delhi and an administrative office in Gurgaon, Haryana.

For FY2013-14 (as per provisional financial statements), IIPL reported net profit of Rs.0.07 crore on total income of Rs.15.32 crore, as compared with net loss of Rs.1.13 crore on total income of Rs.14.35 crore in FY2012-13. The company's net worth stood at Rs.2.72 crore as on March 31, 2014, as compared with Rs.2.64 crore a year earlier.

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