



Press Release

Ishan Netsol Private Limited

April 5, 2023

Ratings:

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	1.00	IVR BBB+/ Stable Outlook (IVR Triple B Plus with Stable Outlook)	Rating revised	Simple
Short Term Bank Facilities	29.00	IVR A2 (IVR A Two)	Rating revised	Simple
Total	30.00 (Rupees Thirty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

The revision in the rating assigned to the bank facilities of Ishan Netsol Private Limited (INPL) reflects overall improvement in the operational & financial parameters in FY22 and expected substantial improvement in revenue and debt protection parameter in FY23 and beyond.

Further the ratings continue to derive strength from extensive experience of promoters, diversified customer base, increasing scale of operations and healthy financial risk profile. The ratings are, however, constrained by high geographical concentration risk and highly competitive industry coupled with business risk associated with tender based orders.

Key Rating Sensitivities

Upward Factors

- Improvement in total operating income of more than 20% on a sustained basis.
- Improvement in EBITDA margin above 13% on a sustained basis
- Continuation of below-unity overall gearing ratio
- Prudent working capital management to improve liquidity profile and debt coverage metrics on a sustained basis.



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Downward Factors

- Deterioration in revenue and operating margin, resulting in lower-than-expected cash accruals.
- Stretch in working capital cycle leading to deterioration of liquidity position.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.
- Deterioration in the capital structure i.e., Overall Gearing ratio >2x

Key Rating Drivers with detailed description:

Key Rating Strengths

Extensive experience of promoters

The promoters of the group are professionally qualified and possess an extensive experience in the line of activity. Mr. Pinkesh Kotecha, who is spearheading the group, has over two decades of experience in the sector. The affairs of the group are managed by a team of well experienced professionals who are experts in their respective fields.

Diversified customer base

For its Communication Business, the group has a customer base of over 3000 enterprises and retail subscribers of over 30000. For its system integration division, it has projects on hand from various reputed government as well as private entities.

Increasing scale of operations

The total income of the group improved over the last three fiscal years ended FY22 with CAGR of 78% from FY20-FY22. The revenue of the company increased to Rs.440.13 crore in FY22 as against Rs. 163.98 crore in FY21 mainly on the back of increase in sale of services. In 9MFY23, group reported Rs.254.46 crore of total operating income which is around 80% of that projected for FY23. In 11MFY23, group has reported sales of Rs. 285.72 crore which is around 89% of the revenue projected for FY23. EBITDA margin and PAT margin of company has decreased to 9.13% and 4.93% respectively in FY22 from 13.76% and 6.86% respectively in FY21 on account higher depreciation and interest cost for FY22.

Healthy Financial Risk profile:

The financial risk profile of the group is marked by comfortable capital structure backed by its healthy networth and strong debt protection metrics. The financial risk profile of the group is marked by comfortable capital structure backed by its healthy networth and strong debt protection metrics. The Adjusted overall gearing ratio and TOL/ATNW were at 0.10x and 1.15x



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respectively as on March 31, 2022, as against 0.05x and 0.89x respectively as on March 31, 2021, primarily due to increase in borrowing and accretion of profits to reserves. Further, the interest coverage ratio and total debt to GCA ratio stood at 10.31x and 0.28x respectively in FY22 as against 25.67x and 0.19x respectively in FY21 due to higher interest cost in FY22.

Key Rating Weaknesses:

High geographical concentration risk

In FY22, Group continues to derive major revenue was generated from Gujarat followed by Maharashtra and Rajasthan. The company is trying to de-risk this to an extent by venturing into other state of country.

Highly competitive industry coupled with business risk associated with tender based orders

IT/ITES industry is extremely competitive and mostly organised in India. The Ishan group faces direct competition from many organised and established players in the domestic market. There are various players catering to the same market which leads to limiting the bargaining power of the company and consequent pressure on its margins. Though the company is empaneled by various Government agencies for IT needs, but the orders are majorly awarded through the tender-based system. The growth of the business depends on its ability to successfully bid for the tenders and appear as the lowest bidder. Any changes in the government policy and spending on projects are likely to affect the revenues of the company.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has taken the consolidated approach by combining the financial profile of INPL and IIL, collectively referred to as the Ishan group, as both the companies are having common promoters and management team and are engaged in similar line of business.

Applicable Criteria:

[Criteria on Default Recognitions](#)

[Criteria of assigning Rating Outlook](#)

[Consolidation of Companies](#)

[Rating Methodology – Service-Sector-Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity – Adequate

The liquidity position is adequate. The gross cash accruals were sufficient to cover the debt obligations and a similar trend is expected in FY23-FY25. The average working capital utilization of group stood 56.68% during the last 12 months ended February 2023. The current ratio stood at 1.41x as on March 31, 2022, as against 1.48x as on March 31, 2021. Cash and cash equivalent as on as on March 31, 2022, stood at Rs. 37.30 crore. Operating cycle stands comfortable at 10 days in FY22 (FY21: 28 days). The average collection period was 31 days (FY21: 67 days) and the average inventory holding period stands at 4 days (FY21: 12 days) in FY22. The average creditors period stands at 25 days (FY21: 51 days) in FY22. Overall improvement in operating cycle due to reduction in average collection period and average creditors period. Ishan Group is in the process of implementing capex of Rs. 10.42 crore which forms about 14% of the networth as on March 31, 2022. The company will undertake capex which will be covered by internal accruals and term loan from bank. The capex is expected to be completed by March 31, 2023.

About the Company

About Ishan Netsol Private Limited (INPL):

INPL was incorporated in October 2007 and is the communication arm of Ishan Group which has successfully acquired license of category A from Department of Telecommunication to provide internet services pan India. It delivers simple, secure, reliable, and flexible internet solutions. INPL provides internet and broadband connectivity for Server Message Block (SMB), SME and government clients through fast, flexible, and innovative approach that matches clients' business and budgetary requirements.

About Ishan Infotech Limited (IIL):

IIL was incorporated in December 2000 and is a system integrator. The company helps its customers by presenting the most technically and commercially viable solutions. IIL is a leader in providing e-governance, networking, security, and storage solutions along with distinctive capabilities.



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Financials (Consolidated):

(Rs. crore)

For the year ended/ As on*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	163.98	440.13
EBITDA	22.56	40.18
PAT	11.31	21.92
Total Debt	3.32	8.48
Adjusted Tangible Net worth	53.15	75.72
Ratios		
EBITDA Margin (%)	13.76	9.13
PAT Margin (%)	6.86	4.93
Adjusted Overall Gearing Ratio (x)	0.05	0.10

*Classification as per Infomerics' standards

Financials (Standalone): of INPL

(Rs. crore)

For the year ended/ As on*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	86.34	123.46
EBITDA	16.50	21.41
PAT	7.40	10.18
Total Debt	1.61	2.37
Adjusted Tangible Net worth	32.39	43.26
Ratios		
EBITDA Margin (%)	19.11	17.34
PAT Margin (%)	8.53	8.21
Adjusted Overall Gearing Ratio (x)	0.02	0.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (January 22, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 23, 2020)
1.	Cash Credit/OD	Long Term	0.75	IVR BBB+/ Stable	-	IVR BBB/ Positive	IVR BBB/ Stable



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Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (January 22, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 23, 2020)
2.	Proposed Cash Credit/OD	Long Term	0.25	IVR BBB+/Stable	-	IVR BBB/Positive	IVR BBB/Stable
3.	Bank Guarantee	Short Term	20.80	IVR A2	-	IVR A3+	IVR A3+
4.	Proposed Bank Guarantee	Short Term	8.20	IVR A2	-	IVR A3+	IVR A3+

Name and Contact Details of the Rating Team:

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any



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security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit/OD	-	-	-	0.75	IVR BBB+/ Stable
Proposed Cash Credit/OD	-	-	-	0.25	IVR BBB+/ Stable
Bank Guarantee	-	-	-	20.80	IVR A2
Proposed Bank Guarantee	-	-	-	8.20	IVR A2

Annexure 2: List of companies considered for consolidated analysis:

Name of the company	Extent of Consolidation
Ishan Netsol Private Limited (INPL)	Full
Ishan Infotech Limited (IIL)	Full

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Lender-05042023-INPL.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.