



Press Release

Ishan Netsol Private Limited (INPL)

October 23, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Bank Facilities – Overdraft	0.75	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)
2	Proposed Fund Based Bank Facilities – Working Capital	0.25	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)
3	Non Fund Based Bank Facilities – Bank Guarantee	16.25	IVR A3+ (IVR A Three Plus)
4	Proposed Non Fund Based Bank Facilities – Bank Guarantee	12.75	IVR A3+ (IVR A Three Plus)
	Total	30.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating derives strength from the experienced promoters, increasing scale of operations, healthy financial risk profile and diversified customer base. However, these strengths are partially offset by industry fragmentation.

Key Rating Sensitivities

Upward Factor

- Significant and sustained improvement in overall scale of operations leading to improvement in debt protection metrics.

Downward Factor

- Any significant decline in the overall scale of operations and/or profitability.
- Significant deterioration in the debt protection metrics on a consolidated basis.



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List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters:

The promoters of the group are well qualified and possess an extensive experience in the line of activity. Mr. Pinkesh Kotecha, who is spearheading the group, is having over 2 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.

Increasing scale of operations:

The consolidated total operating income has witnessed a steep increase to Rs. 138.17 Crs in FY20 from Rs. 124.82 Crs in FY19 and Rs. 98.94 Crs in FY18 due to deeper market penetration. The Group has reported an EBITDA margin of 13.96% in FY20 as against 9.95% in FY19 arising out of economies of scale.

Healthy financial risk profile:

Capital structure of the Group remained comfortable with an overall gearing of 0.12x as on March 31, 2020 (FY19: 0.23x). Debt protection indicators remained comfortable marked by an interest coverage of 25.74x as at FY20 and total debt to GCA of 0.37x in FY20. The Group does not have any major term debt outstanding as on March 2020.

Diversified customer Base:

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

Key Rating Weaknesses

Industry fragmentation:

Highly fragmented industry consists of large domestic & multinational players. The Indian market, however, is very price-sensitive and at the same time service sensitive, and since the supply base is not one whole unit, buyers prefer to choose from service provider with established reputation & close proximity.



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Analytical Approach:

Consolidated: For arriving at the ratings, Infomerics has taken the consolidated approach by combining the financial profile of Ishan Netsol Private Limited and Ishan Infotech Limited, collectively referred to as the Ishan group, as both the companies are having common promoters & management team and business integration.

Applicable Criteria:

Rating methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The group has a healthy liquidity position marked by an adequate current ratio of 1.33 times as on FY20 along with healthy gross cash accruals against maturing repayment obligations. The group also has cash and cash equivalents to the tune of Rs. 16.04 Crs (Including restricted deposits of Rs.13.78 Crs) as on March 31, 2020.

About the Company

About Ishan Netsol Private Limited

INPL was incorporated in 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.

INPL provides internet and broadband connectivity for Retail, SMB, SME and government clients through fast, flexible and innovative approach that matches clients' business and budgetary requirements.

About Ishan Infotech Limited

IIL was incorporated in 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	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	124.82	138.17
EBITDA	12.42	19.29
PAT	6.74	10.31
Total Debt	5.49	5.49
Tangible Net Worth	20.83	40.54
Ratios		
EBITDA Margin (%)	9.95	13.96
PAT Margin (%)	5.37	7.41
Overall Gearing Ratio (x)	0.23	0.12

*Classification as per Infomerics' standards

Financials (Standalone) of INPL (Rs. crore)

For the year ended* / As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	50.58	67.71
EBITDA	8.88	13.52
PAT	4.44	6.45
Total Debt	2.94	2.10
Tangible Net Worth	12.06	23.71
Ratios		
EBITDA Margin (%)	17.56	19.97
PAT Margin (%)	8.75	9.46
Overall Gearing Ratio (x)	0.18	0.06

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:N.A.



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Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Overdraft	Long Term	0.75	IVR BBB/ Stable Outlook	--	--	--
2	Proposed Working Capital	Long Term	0.25	IVR BBB/ Stable Outlook	--	--	--
3	Bank Guarantee	Short Term	16.25	IVR A3+	--	--	--
4	Proposed Bank Guarantee	Short Term	12.75	IVR A3+	--	--	--

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

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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, suspend 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 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
Overdraft	--	--	--	0.75	IVR BBB/ Stable Outlook
Proposed Working Capital	--	--	--	0.25	IVR BBB/ Stable Outlook
Bank Guarantee	--	--	--	16.25	IVR A3+
Proposed Bank Guarantee	--	--	--	12.75	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-INPL-23-10-2020.pdf>