

Press Release

Ascent E- Digit Solutions Private Limited

November 14, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term (Fund based)	5.00	IVR BBB- / Stable Outlook ; (IVR Triple B Minus with Stable Outlook)
2	Short term (Non-Fund Based)	13.00	IVR A3 (IVR A Three)
Total		18.00	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the experienced promoters with long standing relationship with buyers, diversified customer profile, stable demand from BFSI for IT Hardware equipment and comfortable capital structure & debt matric. The rating however is constrained by modest and range bound scale of operation, working capital intensive operations, client concentration risk and uncertainty involved with the number of projects

Key Rating Sensitivities:

- **Upward Rating Factor-** Significant improvement in scale of business of the company through availability of new sources of funds could lead to a positive rating action
- **Downward Rating Factor-** Any decline in projects or tenders from Government side could lead to a negative rating action

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters with long standing relationship with buyers

Ascent e Digit Solutions Private Limited (AEDSPL) was incorporated as a private limited company in year 2010 by Mr. K.P. Mutharasu and Mr. B. Dharmaraj. Mr. K. P. Mutharasu has more than three decades of experience in the field of IT & peripherals supplies and in managing Government Accounts and Liasoning. He is credited for bringing AEDSPL as one of the top IT peripheral supplying companies to serve the Government of Tamil Nadu. Mr.B.Dharmaraj has an experience of 17 years plus in the field of IT Hardware equipment

and has worked with multinational companies such as HCL. Over the years of its operation, the company has established contacts with reputed computer and peripherals manufacturers. As a result, they have been able to negotiate better terms and pricing with their suppliers which have helped them successfully bid and win tenders for AEDSPL.

Diversified Customer profile

The company has a pan India presence with projects across regions mitigating the geographic concentration risk since the major chunk of the business of the company is from government open tenders, Government e Market place (GeM) tenders and BFSI based tenders. Over the years the company has diversified its revenue profile and customer base. AEDSPL has won tenders for various government departments like Electronics Corporation of Tamilnadu Limited (ELCOT), Indian Oil Corporation, Karur Vysya Bank, Indian Bank, Indian overseas bank, Women's development board, Child's Welfare and Disabled Development board, State Bank of India, postal department, etc. This has ensured a large customer base for the company. Through ELCOT, they have supplied various IT products to State Government departments across the length and breadth of Tamil Nadu.

Stable demand from BFSI for IT Hardware equipment's.

Buoyed by the push from the banking sector towards cashless transactions, IT spending has increased in the banking sector. AEDSPL has also witnessed stable demand from the BFSI sector for IT Hardware equipment and it has added KVB, Indian Bank, IOB, Corporation Bank, APGB, Andhra Bank, Central Bank, Canara Bank and syndicate Bank to its customer roster. Going forward, the primary focus of AEDSPL is to maximize their customer base in BFSI vertical in Southern states and Mumbai.

Comfortable capital structure and debt metrics

The overall gearing ratio of the company was comfortable and saw a substantial improvement in FY19 due to a significant increase in quasi-equity from FY18 to FY19. Long term debt to equity ratio of the company was comfortable and it saw a marginal decrease in FY19 to 0.02x from 0.04x in FY18. Interest coverage ratio was also comfortable at 2.85 times as on March 31, 2019.

Key Rating Weaknesses

Modest and range bound scale of operation

Ascent E Digit Solution Private Limited has a small scale of operations; it had a Total Operating income of Rs.104.74 crore in FY19 (FY18 Rs.103.43 crore). There is an increase of only around 1.5%-2.0% in operating income in the last few years. Moreover, Ascent E Digit Solution Private Limited operations remain low due to lack of funds to scale up the business.

Working Capital Intensive Operations

The average collection period for FY19 is 139 days and the inventory holding period is 17 days. This implies working capital intensive operations where much of the company cash is locked up with the customers. On average, the company takes around 150 days to pay its suppliers.

Client Concentration Risk

The top 10 clients account for around 77% of the sales, thus posing the client concentration risks. AEDSPL is one of the major rate contract holders of Electronics Corporation of Tamilnadu Ltd (ELCOT) from the last ten years which accounts for around 28% of the company's revenue in FY19.

The uncertainty involved with the number of projects

Nearly 75% of the company's revenue comes from government projects and BFSI that are awarded through closed bidding processes. There is always an improbability to the number of projects that could come up in any financial year.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for services sector companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The liquidity Position of the company is adequate supported by current ratio of 1.40 and quick ratio of 1.26 as on 31st march, 2019. The average utilization of working capital bank limit during the last 12 months ended May 19, 2019, was moderately high at about 80.60%. Though the working limits are fully utilised in few months, the existing fund based limits are just 5% of TOI giving head room for higher limits for scaling up the business in the future.

About the company

Ascent e-Digit Solutions Private Limited (formerly known as Zigma Computer Links) was started in 1991 as a small partnership firm. Owing to ever expanding operations, Zigma Computer Links graduated to a private company in the name of “Ascent E-Digit Solutions Private Limited” of by virtue of Part IX of the Companies Act 1956 so that it enables the firm to retain its supremacy and experience intact. AEDSPL provides IT Hardware System Integration solutions to various State Government and Central Government departments, Banks, corporates, educational institutions and SMB’s. By virtue of experience gained over the years, the company evolved as a strong B2B Company and has developed strong service network all over South India.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	103.43	104.74
EBITDA	3.56	5.12
PAT	2.06	2.21
Total Debt	11.47	6.21
Tangible Net worth	12.55	15.82
EBIDTA Margin (%)	3.44	4.89
PAT Margin (%)	1.97	2.10
Overall Gearing ratio (x)	0.91	0.39

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: N.A

Any other information: N.A

Rating History for last three years:

Name of Instrument/	Current Rating (Year 2019-20)	Rating History for the past 3 years
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Facilities	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Cash Credit (CC)	5.00	IVR BBB- /Stable Outlook	--	--	--
Non-Fund Facilities	Bank Guarantee (BG)	12.00	IVR A3	--	--	--
Non-Fund Facilities	Letter of Credit (LC)	1.00	IVR A3	--	--	--
	Total	18.00				

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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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Fund Based Cash Credit	--	--	--	5.00	IVR BBB-/Stable Outlook
2	Non-Fund Based Bank Guarantee	--	--	--	12.00	IVR A3
3	Non-Fund Based Letter of Credit	--	--	--	1.00	IVR A3
Total					18.00	