



Press Release

Highbar Technocrat Limited

July 11, 2024

Ratings

| Security/ Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|----------------------------------|--|--|---------------------|---------------|--|
| Long Term Facilities – Proposed | 2.50 | IVR BBB; Stable (IVR Triple B with Stable Outlook) | - | Assigned | Simple |
| Short Term Facilities – Proposed | 2.50 | IVR A3+ (IVR A Three Plus) | - | Assigned | Simple |
| Total | 5.00 (Rupees Five Crore Only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Highbar Technocrat Limited (HTL) derives comfort from its long track record under experienced promoters, reputed clientele resulting in low counter party risk and its satisfactory order book position indicating healthy revenue visibility. However, these rating strengths remain constrained due to its modest scale of operation, exposure to intense competition, technology obsolescence risk and working capital intensive nature of its operations. The stable outlook reflects expected satisfactory business performance of the company in the near to medium term underpinned by its satisfactory order book position and experience of the promoters.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals
- Increase in order book position coupled with timely execution of the same

Downward Factors

- More than expected dip in operating income and/ or moderation in profitability impacting the financial profile of the company
- Moderation in the capital structure marked by availment of any unplanned debt leading to moderation in the overall gearing ratio to over 2x



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- Elongation in receivable period and/or increase in working capital intensity impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record under experienced and qualified promoters**

HTL started its business operation in 2010 in Maharashtra, thus, enjoying a track record of over 10 years in the IT industry. HTL gradually diversified its service portfolio in the IT field and expanded to other states and countries for rendering IT service. The promoters have vast experience in the information technology domain. Mr. Mangesh Dattatray Wadaje, is the founder director of the company and a technocrat, having experience of over three decades in the IT industry. The other directors are also highly qualified and have vast experience in IT and business operations. Apart from this, there is a group of experienced and adequately qualified personnel in various position of the company

- **Reputed clientele resulting in low counter party risk coupled with**

Since inception, the company is engaged in providing Information Technology related services to various State Government, Central Government agencies and private organizations throughout the country. The company also provides IT services to various big domestic private players engaged in infrastructure, manufacturing and trading segments. The company maintains long term relationship with the clients and gets repeated orders regularly. Further, all the company's clients, being government entities and reputed private players, impart comfort in the form of low counter party credit risk.

- **Satisfactory order book position indicating healthy revenue visibility**

The company has an outstanding unexecuted order book amounting to Rs.154.78 crore as on June 30, 2024, i.e., 1.55 times of the total operating income of Rs.100.16 crore in FY2024 (Prov.) [FY refers to the period from April 1 to March 31]. Most of the orders are expected to be realized in FY25 indicating a satisfactory revenue visibility in the near term. However, timely execution of orders will remain a key rating monitorable.

Key Rating Weaknesses

- **Modest scale of operation**



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The company's scale of operations remained range bound and modest at ~Rs.100 crore during the last few fiscal years. Modest scale of operations restricts the operational and financial flexibility of the company to an extent.

- **Competition from major players in the industry, technology obsolescence risk**

IT/ITES industry is very competitive and mostly organised in India. The company faces stiff competition from large industries impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. 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. The company's modest scale of operations restricted its operational and financial flexibility to an extent. Any adverse technological changes would have an adverse impact on the revenues of the company. Though the company is empaneled by various Government agencies for IT needs, the orders are majorly awarded through the tender-based system.

- **Working capital intensive nature of operations**

The operation of the company is working capital intensive. The company raises bills after the completion of the work contract. The company's client base majorly constitutes of government entities, where in the payments is elongated owing to procedural delays. The average collection period stood elongated at 101 days in FY24 (Prov.). The company makes payment to the creditors as and when the payments are realized.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Strong

HTL is a zero-debt company and the liquidity position of the company is expected to remain strong marked by its expected adequate gross cash accruals against nil debt repayment obligations during FY25-FY27. Further, the company has adequate free cash and cash



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equivalents to the tune of Rs.11.78 crore as on March 31, 2024, which is expected to support the operations of the company in the medium term.

About the Company

Incorporated in November 2010, Highbar Technocrat Limited (HTL) is engaged in the business of developing, designing, marketing, licensing, maintaining and supporting services used in the field of information technology. The company specializes in helping companies in the infrastructure, construction, real estate and manufacturing industries to reduce their project execution time and costs significantly through innovative technology solutions.

The company provides various solutions comprising technology & business process optimization, Systems and Solutions Integration, ERP implementation, technology implementation audits and SAP training.

Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|----------------------------|-------------|-------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Provisional |
| Total Operating Income | 99.12 | 100.16 |
| EBITDA | 12.80 | 12.49 |
| PAT | 9.73 | 9.05 |
| Total Debt | 0.00 | 0.00 |
| Tangible Net Worth | 41.53 | 48.27 |
| EBITDA Margin (%) | 12.92 | 12.47 |
| PAT Margin (%) | 9.72 | 8.97 |
| Overall Gearing Ratio (x) | 0.00 | 0.00 |
| Interest Coverage (x) | 62.22 | 156.13 |

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-2025) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|----------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | - | - | - |
| 1. | Cash Credit – Proposed | Long Term | 2.50 | IVR BBB; Stable | - | - | - |



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| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-2025) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|----------------------------------|--------------------------------|---------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | - | - | - |
| 2. | Bank Guarantee – Proposed | Short Term | 2.50 | IVR A3+ | - | - | - |

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Cash Credit – Proposed Limit | - | - | - | - | 2.50 | IVR BBB; Stable |
| Bank Guarantee – Proposed Limit | - | - | - | - | 2.50 | IVR A3+ |

Annexure 2: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Highbar-Technocrat-11july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.