



## Press Release

**Ishan Infotech Limited**

**August 21, 2024**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	11.00 (Enhanced from Rs. 9.80 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB-/Negative; ISSUER NOT COOPERATING (IVR Triple B Minus with Negative Outlook; Issuer Not Cooperating)	Assigned / Upgraded and rating removed from Issuer Not Cooperating category and Outlook revised	<a href="#">Simple</a>
Proposed Long Term Facilities	5.00 (Enhanced from Rs. 0.20 crore)	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB-/Negative; ISSUER NOT COOPERATING (IVR Triple B Minus with Negative Outlook; Issuer Not Cooperating)	Assigned / Upgraded and rating removed from Issuer Not Cooperating category and Outlook revised	<a href="#">Simple</a>
Short Term Facilities	64.10 (Enhanced from Rs. 45.25 crore)	IVR A2 (IVR A Two)	IVR A3; ISSUER NOT COOPERATING (IVR A Three; Issuer Not Cooperating)	Assigned / Upgraded and rating removed from Issuer Not Cooperating category	<a href="#">Simple</a>
Proposed Short Term Facilities	19.90 (Enhanced from Rs. 4.75 crore)	IVR A2 (IVR A Two)	IVR A3; ISSUER NOT COOPERATING (IVR A Three; Issuer Not Cooperating)	Assigned / Upgraded and rating removed from Issuer Not Cooperating category	<a href="#">Simple</a>
<b>Total</b>	<b>100.00</b> <b>(Rupees One hundred crore only)</b>				

**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

Infomerics Ratings has upgraded its ratings and revised outlook assigned to the bank facilities and removed from the Issuer Not Cooperating category on availability of information. The ratings assigned to the bank facilities derive strength from extensive experience of promoters, diversified customer base, increasing scale of operations and healthy financial risk profile despite ongoing capex. The rating strengths are, however, constrained by high geographical concentration risk and highly competitive industry coupled with business risk associated with tender based orders.



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The stable outlook factors in diversified and growing customer base in both business and retail supported by extensive experience of the promoters thereby providing revenue visibility in medium term.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial improvement in total operating income along with profitability on a sustained basis
- Continuation of below-unity overall gearing ratio

#### **Downward Factors**

- Deterioration in revenue and profitability resulting in lower-than-expected cash accruals.
- Stretch in working capital cycle leading to deterioration of liquidity position.
- Sharp changes in leverage leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Extensive experience of promoters**

The promoters of the group are professionally qualified and possess extensive experience in the line of activity. The group is a leading system integrator and premium internet service provider. Mr. Pinkesh Kotecha, who is spearheading the group, has over two decades of experience in the IT sector. The day-to-day operations of the group are managed by a team of well experienced professionals with expertise in their respective fields.

##### **Diversified customer base**

The group's communication business has a customer base of over 12012 enterprises and retail subscribers of over 70243. For system integration business, it has projects on hand from various reputed government as well as private entities and had an unexecuted order book of Rs. 103.16 crore as on March 31, 2024.



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### **Increasing scale of operations in FY24**

The total operating income of the group increased by ~62% to Rs. 574.25 crore in FY24 [FY refers to the period from April 01 to March 31] as against Rs. 354.10 crore in FY23 mainly on account of increase in customer base and RailTel Corporation of India Limited's project which is currently under execution. The absolute EBITDA and PAT has increased to Rs. 51.33 crore (PY: Rs. 41.94 crore) and Rs. 24.34 crore (PY: Rs. 22.06 crore) respectively in FY24. However, there has been a moderation in EBITDA and PAT margin to 8.94% and 4.23% respectively in FY24 from 11.85% and 6.18% respectively in FY23 due to higher trade purchases in FY24.

### **Healthy financial risk profile despite ongoing capex**

The financial risk profile of the group is marked by comfortable capital structure backed by its healthy networth and strong debt protection metrics. The overall gearing ratio and TOL/TNW remained comfortable at 0.20x and 2.20x respectively as on March 31, 2024, as against 0.45x and 1.60x respectively as on March 31, 2023. Further, the interest coverage ratio and total debt to EBITDA ratio stood comfortable at 10.25x (PY: 12.09) and 0.46x (PY: 1.04x) respectively in FY24.

The group through, INPL is implementing a Rs.100 crore capex programme in FY25 being funded by debt of Rs.80 crore and Rs.20 crore by internal accruals for capacity expansion and upgradation of existing network and laying of new underground optical fibre/ leasing of dark fibre. Accordingly, the overall gearing is expected to moderate to over 1 time as on March 31, 2025. The debt protection metrics are also expected to moderate, however, remain comfortable.

### **Key Rating Weaknesses**

#### **High geographical concentration risk**

In FY24, the group continues to derive major revenue from Gujarat. System integration work is concentrated in Gujarat. The internet service provider customer base is also concentrated in Gujarat (44%) followed by Maharashtra (19%), Rajasthan (6%). However, the company has also ventured into multiple other states and is further expanding into other states thus mitigating this risk to an extent.



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

IT/ITES industry is an extremely competitive industry and mostly organised in India. 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 group and consequent pressure on its margins. Though the group is empanelled by various Government agencies for IT needs, 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. Any changes in the government policy and spending on projects are likely to affect the revenues of the group.

### **Analytical Approach:** Combined.

For arriving at the rating, Infomerics Ratings has combined the financials of Ishan Infotech Limited (IIL) and Ishan Netsol Pvt Ltd (INPL) collectively referred to as Ishan Group as these entities have common promoters and management team and are engaged in similar line of business.

List of companies considered for combined approach is given at Annexure 4.

### **Applicable Criteria:**

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

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

[Criteria on Consolidation of Companies](#)

### **Liquidity – Adequate**

The liquidity position is adequate. The gross cash accruals stood at Rs. 39.12 crore in FY24 as against debt servicing obligation of Rs. 1.17 crore in FY24. The company is expected to generate sufficient cash accruals to service debt repayment obligations in near term. The



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average working capital utilization for the company stood at 74.01% during the last 12 months ended April 2024.

### **About the Group**

Ishan group is promoted by Mr. Pinkesh Kotecha who has over 2 decades of experience in the IT sector. Ishan Group consists of two business units namely Ishan Netsol Private Limited and Ishan Infotech Limited. The group is known under the brand name 'Ishan Technologies'.

### **About the Company**

IIL was incorporated in December 2000 and is a system integrator having its registered office in Rajkot, Gujarat. It is promoted by the Kotecha family. 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.

### **Financials (Combined):**

**(Rs. crore)**

<b>For the year ended/ As on*</b>	<b>31-03-2023</b>	<b>31-03-2024</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	354.10	574.25
EBITDA	41.94	51.33
PAT	22.06	24.34
Total Debt	43.71	23.83
Tangible Net Worth	96.91	120.92
EBITDA Margin (%)	11.85	8.94
PAT Margin (%)	6.18	4.23
Overall Gearing Ratio (x)	0.45	0.20
Interest Coverage (x)	12.09	10.25

\* Classification as per Infomerics' standards.





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**Financials (Standalone): Ishan Infotech Limited**

**(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	186.56	369.58
EBITDA	17.28	23.75
PAT	12.14	14.15
Total Debt	41.48	13.41
Tangible Net Worth	44.44	58.58
EBITDA Margin (%)	9.26	6.43
PAT Margin (%)	6.42	3.81
Overall Gearing Ratio (x)	0.06	0.21
Interest Coverage (x)	7.16	6.06

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: None.**

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					May 15, 2024	April 05, 2023	January 22, 2022	-
1.	Term Loan	Long Term	3.95 (Reduced from Rs. 5.00 crore)	IVR BBB+ / Stable	IVR BBB- /Negative; ISSUER NOT COOPERATING	IVR BBB+ / Stable	IVR BBB / Positive	-
2.	Cash Credit	Long Term	0.00 (Reduced from Rs. 1.00 crore)	-	IVR BBB- /Negative; ISSUER NOT COOPERATING	IVR BBB+ / Stable	IVR BBB / Positive	
3.	Overdraft	Long Term	7.05 (Enhanced from Rs. 3.80 crore)	IVR BBB+ / Stable	IVR BBB- /Negative; ISSUER NOT COOPERATING	IVR BBB+ / Stable	IVR BBB / Positive	-
4.	Proposed Overdraft	Long Term	5.00 (Enhanced from Rs. 0.20 crore)	IVR BBB+ / Stable	IVR BBB- /Negative; ISSUER NOT COOPERATING	IVR BBB+ / Stable	IVR BBB / Positive	-



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					May 15, 2024	April 05, 2023	January 22, 2022	-
5.	Channel Financing	Short Term	6.50	IVR A2	-	-	-	-
6.	Bank Guarantee	Short Term	57.60 (Enhanced from Rs. 45.25 crore)	IVR A2	IVR A3; ISSUER NOT COOPERATING	IVR A2	IVR A3+	-
7.	Proposed Bank Guarantee	Short Term	19.90 (Enhanced from Rs. 4.75 crore)	IVR A2	IVR A3; ISSUER NOT COOPERATING	IVR A2	IVR A3+	-

### Analytical Contacts:

Name: Neha Khan

Tel: (022) 6239 6023

Email: [neha.khan@infomerics.com](mailto:neha.khan@infomerics.com)

### 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.



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For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### 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
Term Loan	-	-	-	July 07, 2027	3.95	IVR BBB+ / Stable
Overdraft	-	-	-	-	7.05	IVR BBB+ / Stable
Proposed Overdraft	-	-	-	-	5.00	IVR BBB+ / Stable
Channel Financing	-	-	-	-	6.50	IVR A2
Bank Guarantee	-	-	-	-	57.60	IVR A2
Proposed Bank Guarantee	-	-	-	-	19.90	IVR A2

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Ishan-Infotech-21aug24.pdf>

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

### Annexure 4: List of companies considered for consolidated/combined analysis:

Name of the company/Entity	Combined Approach
Ishan Netsol Private Limited	Full
Ishan Infotech Limited	Full





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**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](http://www.infomerics.com).

