Press Release

ArMee Infotech Limited

June 24, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	18.27	IVR BBB/Stable (IVR Triple B with a Stable outlook)	IVR BBB- /Stable (IVR Triple B Minus with a Stable outlook)	Upgraded	Simple
Short Term Bank Facilities	55.40	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded/Assigned for the enhancement amount	Simple
Total	**73.67 (Rs. Seventy-three crore and sixty-seven lakhs 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

Infomerics Valuation and Rating Private Limited has upgraded the long-term and short-term ratings to IVR BBB with a stable outlook and IVR A3+ respectively for the bank facilities of ArMee Infotech Limited and has also assigned IVR A3+ rating to the enhanced short term bank facilities of ArMee Infotech Limited.

The rating upgrade takes into consideration the significant increase in turnover along with improved profitability over past two years. The company anticipates a significant inflow of orders, which is expected to augment the topline and strengthen the overall market position. Further the rating continues to derive comfort from the experienced management and long track record of operations coupled with diversified customer profile and geographical presence. However, the ratings remained constrained on account of working capital-intensive nature of operations and competition from major players in the industry coupled with technological obsolescence risk inherent to the nature of business. The rating also takes into consideration the deterioration in TOL/TNW from 3.36x in FY 2023 to 5.87x in FY2024(P) on account of stretch in creditors to execute the projects towards the end of financial year. Nonetheless, TOL/TNW is expected to improve going forward on account of expected IPO planned in FY2025 and prudent working capital management.

The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. IVR believes that ArMee Infotech Limited will continue to benefit from its operational track record in the business and regular inflow of orders.

IVR has principally relied on the standalone provisional financial results of ArMee Infotech Limited up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company’s management.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.
- Improvement in working capital cycle and sustained improvement in TOL/TNW.

Downward Factors

- Any substantial decline in revenue and/or profitability impacting the debt protection metrics or liquidity.
- Further elongation in working capital cycle and deterioration in specific credit metrics that could result in rating downgrade i.e., TOL/TNW ratio remaining above 3 times on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management and long track record of operations**
  Established in 2002, ArMee Infotech Limited is engaged in rendering system integration services to large corporate and Govt. bodies. The company is promoted by Mr. Riddhish Patel, who has more than two decades of experience in the field of software and hardware and Mr. Kiritbhai Patel, having experience in IT support and hardware services.
- **Diversified customer profile and geographical presence**
  The company has its presence across pan India with projects across regions mitigating the geographical concentration risk. Majority of the business is Government tender based however spread across PAN India with Gujarat contributing to major share.
- **Growing scale of operations with improvement in profitability**
  The TOI of the company has grown with a CAGR of 112.41% for the last 3 years ending March 31, 2024. The TOI of the company has grown significantly by 94.24% and stood at Rs. 1007.41 crore as per the provisional results for FY24 compared to Rs. 518.65 crore in FY23 on account of increase in services provided along with increase in trading activities.
  The profitability of the company improved, marked by operating profit of Rs. 73.92 crore in FY24(P) compared to Rs. 33.04 crore in FY23. Further, the PAT of the company also improved and stood at Rs. 51.84 crore in FY24(P) compared to Rs. 19.58 crore in FY23. The EBITDA margin of the company improved by 97 bps and stood at 7.34% in FY24(P) compared to 6.37% in FY23 on account of an increase in scale of operations along with decline in administration expenses during the year. With improvement in EBITDA margin, the PAT margin of the company also improved significantly by 137 bps and stood at 5.13% in FY24(P) compared to 3.77% in FY23.The GCA of the company stood at Rs. 55.70 crore improved from Rs. 23.40 crore in FY23 on account of increase in top line and profitability.

Key Rating Weaknesses

- **Working capital intensive nature of operations**
  ArMee Infotech Limited has relatively higher working capital requirements, as reflected in the collection period of 73 days in FY24(P) as against the average creditor days of 125 days in the same financial year, implying working capital-intensive nature of

operations. However, debtors are on higher side but majority of them are the dues from Govt. bodies resulting in negligible risk of bad debts.

- **Competition from major players in the industry, technological obsolescence risk**
  Company faces stiff competition from large industry players impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. And due to rapidly evolving nature of the IT industry and the associated technological risks, the company is exposed to having an adverse impact on the revenues of the company.
- **High TOL/TNW on account of stretch in creditors to execute the projects**
  The TOL/TNW stood moderate at 5.87x as on March 31, 2024(P), deteriorated from 3.36x as on March 31, 2023, on account of significant increase in creditors, which increased in line with the increase in the scale of operations. However, the same is expected to improve going forward on account of planned IPO in FY2025 and efforts towards prudent working capital management.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies
Financial Ratios & Interpretation (Non- Financial Sector)
Criteria on assigning rating outlook
Criteria on Default Recognition and Post-Default Curing Period
Complexity level of Rated Instruments/Facilities

Liquidity – Adequate

The company's liquidity is comfortable marked by 29.89% average utilisation of fund-based limits during the past 12 months ended March 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 84.01- Rs.166.31 crore during FY25-27. The company has a Current Ratio of 1.18x as on March 31, 2024, compared to 1.29x as on March 31, 2023. The Working Capital Cycle of the company stood at -43 in FY24 days which was 1 day in FY23 on account of increase in creditor days. The unencumbered cash and bank balance stood at Rs. 0.09 crore as on June 13, 2024.

About the Company

Incorporated in 2003, Armee Infotech Pvt. Ltd. (erstwhile known as Blossom Infraspace Private Limited) is an IT Infrastructure & System Integrator. The promoters of the company started their operations under a partnership firm known as M/s Armee Infotech in 2002 with three partners namely Mr. Kirit C Patel, Mr. Ami R Patel, and Mr. Riddhish K Patel. They subsequently merged in a Private limited entity known as Blossom Infraspace Private Limited in April 2017. AIPL is a system integrator in the integration & delivery domain operating for more than a decade, facilitating brick and mortar enterprises in their IT and digital transformation endeavours and now the company got its constitution changed from Private Limited Company to Public Limited Company.

Financials (Standalone) **(Rs. crore)**

For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	125.18	518.65
EBITDA	13.14	33.04
PAT	4.01	19.58
Total Debt	25.81	32.08
Tangible Net Worth	30.88	50.46
EBITDA Margin (%)	10.50	6.37
PAT Margin (%)	3.15	3.77
Overall Gearing Ratio (x)	0.84	0.64
Interest Coverage (x)	2.39	5.58

** As per Infomerics Standard*

Status of non-cooperation with previous CRA:

- Vide press release dated August 17, 2023, Acuite Ratings and Research Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information.
- Vide press release dated April 10, 2024, Crisil Ratings have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/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 2023-24 (April 26, 2023)	Date(s) & Rating(s) assigned in 2022-23 (January 27, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Fund based bank facilities	Long Term	18.27	IVR BBB/Stable	IVR BBB-/Stable	IVR BBB-/Stable	-
2.	Non-fund-based bank facilities	Short Term	55.40	IVR A3+	IVR A3	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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	March 2025	0.67	IVR BBB/ Stable
Cash Credit	-	-	-	17.60	IVR BBB/ Stable
Bank Guarantee	-	-	-	55.40	IVR A3+

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-ArMee-june24.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/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