



Press Release

Innovators Facade Systems Limited (IFSL)

April 29, 2024

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	32.54	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	120.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	152.54	(Rupees One Hundred Fifty-Two crore and Fifty-Four lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the ratings assigned to the bank facilities of IFSL continues to derive strength from improvement in scale of operations, comfortable debt protection metrics, healthy orderbook and long track record and established presence in facade engineering. The ratings strengths are, however, constrained by volatility in raw material prices and risks related to cyclical in real estate industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in revenue along with sustained profitability
- Improvement in net operating cycle leading to overall improvement in liquidity.
- Sustenance of total outside liabilities to tangible net worth (TOL/TNW) less than 1x, going forward.

Downward Factors

- Lower than envisaged revenues and profitability leading to lower cash accruals leading to pressure on the debt coverage indicators and liquidity parameters.
- Deterioration in the liquidity profile on account of stretch in the working capital cycle due to delayed collections from debtors or reduction in customer advances.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in scale of operation

IFSL's revenue has improved by 103% to Rs. 181.17 crore in FY23 (from Rs. 89.24 crore in FY22) driven by timely execution of orders. Further, IFSL has achieved revenue of Rs. 100.35 crore in H1FY24 driven by timely execution of orders. EBITDA margin has marginally declined to 10.04% in FY23 (from 11.78% in FY22) due to increase in raw material cost and increase in salary expenses as company has added work force with increase in the order book. However, EBITDA margins have improved to 11.14% in H1FY24 due to benefits of operating leverage.

Comfortable Credit Profile

IFSL's credit profile in terms of TOL/TNW as well as overall gearing remained comfortable and at 1.14x and 0.37x respectively at the end of FY23 (FY22: 0.65x and 0.32x respectively). TOL/TNW has increased in FY23 due to increase in trade payable due to year end purchases. Further IFSL's interest coverage ratio has improved to 5.63x in FY23 from 4.38x in FY22 due to higher profitability.

Healthy Orderbook position

The pending order book position as on 31st March 2024 stood at Rs. 290.84 crore (1.6x of FY23 revenue) providing medium revenue visibility. The ability of the company to execute its orderbook on a timely basis as well as to generate cash flows as anticipated remains crucial from credit perspective. Further majority of the orders in the order book are from reputed clients and good payment track record.

Long track record and established presence in façade engineering

Incorporated in 1999, IFSL is into design, engineering, fabrication, assembly and erection of custom facade systems, providing complete design-build services. The product line of the company includes glazing/curtain walls, high end doors and windows, skylights, canopies, louver, stone cladding, metal cladding and roofing etc.



Press Release

Key Rating Weaknesses

Volatility in input prices

IFSL's exposed to raw material prices volatility as it constitutes 80% of the total cost. Any significant volatile prices in raw materials prices of Aluminium and Glass will have impact on the profitability of IFSL. However, this is mitigated as IFSL has a ability to pass on increase in raw material prices.

Risks relating to cyclical in real estate industry

Although the company has an order book spreading across residential, commercial and orders from companies for their corporate offices, IFSL until now used to remain exposed to cyclical in the real estate sector. However, the company is now focusing on orders from institutional customers where there is no risk attached on sale of the property constructed and thus is shielded from the slowdown in the market. With the current conservative market approach on real estate sector, this move of the company is likely to ensure strong revenue generation in future. The company is also concentrating on export orders, infrastructure orders and corporate clients thereby reducing its dependency on real estate sector and thus reducing the risk associated with real estate sector.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Policy on Default Recognition](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to adequately match with debt repayment obligations through FY24-FY26. The average fund based and non-fund based working capital utilisation for 12 months ending March, 2024 has been 72.79% and 75.41% respectively. The current ratio and quick ratio stood at 1.57x and 0.81x respectively, as on March 31, 2023.



Press Release

About the Company

IFSL has its expertise in the design, engineering, fabrication, assembly and erection of custom facade systems, providing complete design-build services. The product line of the company includes glazing/curtain walls, high end doors and windows, skylights, canopies, louver, stone cladding, metal cladding and roofing. IFSL has its fabrication and glazing facilities under one large roof with state-of-the-art facility at Wada, Thane in Maharashtra spread over area of 1.25 lakh square feet. IFSL has set up 2 Glazing Units and Regional Offices at IMT-Manesar, Gurgaon (Haryana) and Bengaluru (Karnataka).

Financials (Standalone):

(Rs. crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	89.24	181.17
EBITDA	10.52	18.18
PAT	1.63	8.45
Total Debt	33.13	41.37
Tangible Net-Worth	103.00	111.93
Ratios		
EBITDA Margin (%)	11.78	10.04
PAT Margin (%)	1.80	4.64
Overall Gearing Ratio (x)	0.32	0.37

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

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	Date(s) & Rating(s) assigned in 2022-23 (March 3, 2023)	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facility – Term Loan	Long Term	8.24	IVR BBB/ Stable	--	IVR BBB/ Stable	--
2.	Long Term Bank Facility – Cash Credit	Long Term	25.75	IVR BBB/ Stable	--	IVR BBB/ Stable	--
3.	Short Term Bank Facility – Bank Guarantee	Short Term	100.00	IVR A3+	--	IVR A3+	--
4.	Short Term Bank Facility – Letter of Credit	Short Term	20.00	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



Press Release

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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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	--	--	July, 2026	6.79	IVR BBB/ Stable
Cash Credit	--	--	--	25.75	IVR BBB/ Stable
Bank Guarantee	--	--	--	100.00	IVR A3+
Letter of Credit	--	--	--	20.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Innovators-Facade-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



Press Release

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.

