



Press Release

Innovators Façade Systems Limited

March 03, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	34.82	IVR BBB/Stable Outlook [IVR Triple B with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	120.00	IVR A3+ [IVR A Three Plus]	Assigned	Simple
Total	154.82 (Rupees One Hundred Fifty Four Crore and Eighty Two Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Innovators Façade Systems Limited (IFSL) derives strength from long track record & established presence in facade engineering, highly experienced managerial & technical team, established clientele and repeat orders from client, foraying into pharmaceutical sector with addition of the cleanroom into product portfolio and backward integration of coating activity, stable operating profitability, comfortable capital structure and debt coverage indicators and healthy order book. The rating is however constrained on account of modest scale of operation, working capital intensive operation, customer concentration risk, volatility in input prices and risks relating to cyclicity in real estate industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in revenue along with sustained profitability
- Improvement in operating cycle to 100 days or below



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- 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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record & established presence in facade engineering**

Innovators Facade Systems Limited (IFSL) has incorporated in 1999. The company 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 etc. The company is headed by Mr. Radheshyam Sharma, who has a long-standing industry experience of two decades, along with him company benefits from experienced management team, this has helped IFSL in expanding its customer base over the years, offering it revenue visibility.

- **Highly experienced managerial & technical team**

The overall operations are managed by the promoter director, Mr. Radheshyam Sharma, who are assisted by a large team of qualified and experienced professionals in managing various functions of IFSL on a day-to-day and project-to-project basis. The company has a strong in-house project management team comprising of more than 300 employees and most of the employees are Engineers, Architects, MBAs and CAs.

- **Established clientele and repeat orders from client**

The company has executed a number of contracts for established and renowned companies. The company has completed an array of projects from all real estate segments – residential, commercial and Infrastructure. The clientele includes reputed names like



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Godrej Group, Lodha Group, DLF Group, Piramal Group, Embassy Group, The Wadhwa Group, Prestige Group, Reliance Industries, Adani, Aurobindo Realty, Oberoi Realty, L&T Construction, Raheja Universal, Bhartiya City etc. The company has also been able to get repeat orders from its clientele for their other projects.

- **Foraying into pharmaceutical sector with addition of the cleanroom into product portfolio and backward integration of coating activity**

Given the increasing demand for clean room for the pharmaceutical entities, the company had planned to foray in the segment which it expects to materialise and enhance its customer base and consequently improving its topline and profitability by FY23. Further, the company was upgrading its manufacturing facility and has also equipped itself with backward integration of coating activity. Earlier the coating activity was outsourced to job work. Since now the coating activity is done inhouse, there has been saving in the conversion cost. The same is evident from the improved margins in the current fiscal.

- **Stable operating profitability**

The EBITDA margin of the company remained in the range of 11% to 12.50% during the past 4 years ended in FY22. Further the EBITDA margin has decline by 140 bps and stood at 11.78% in FY22 (vis-à-vis 12.57% in FY21) mainly on account of increase in salary and other manufacturing expenses in FY22. However, in absolute terms operating profit has improved from Rs.8.28 crore in FY21 to Rs.10.52 crore in FY22. Further in H1FY23 the operating profit margin remained at 10.64%.

- **Comfortable capital structure and debt coverage indicators**

The capital structure marked by overall gearing ratio and TOL/ATNW has marginally declined and yet remained comfortable at 0.32 times and 0.65 times respectively as on March 31, 2022 (as against 0.15 times and 0.33 times respectively as on March 31, 2021) owing to higher utilization of its working capital limits as on balance sheet date. The debt coverage indicators marked by interest coverage ratio has improved and stood at 4.38 times in FY22 (vis-à-vis 3.25 times respectively in FY21) mainly due to improvement in operating profit. Further overall gearing stood comfortable 0.34 times as on September 30, 2022 and interest coverage ratio stood at 2.72 times in H1FY23.



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- **Healthy order book**

IFSL has projects primarily i.e. around 50% in Mumbai, 14% in Bangaluru, 13% in Pune and other regions namely Chennai, Delhi, Gurgaon etc. with corporate clientele for various projects across India. The pending order book position as on October, 2022 stood at ~Rs.370 crore providing revenue visibility for the next 2 years with the company adding orders close to Rs.120 crore in current fiscal. The ability of the company to execute its orderbook on a timely basis as well as generate cash flows as anticipated remains crucial from credit perspective. Further majority of the orders in the order book are from reputed clients having a high credibility and good payment track record.

Key Rating Weaknesses

- **Modest scale of operation**

The company has witnessed subdued operating performance and the revenue has registered a de-growth of approx. 53% on a y-o-y basis (from Rs.141.31 crore in FY20 to Rs.65.87 crore in FY21), mainly on account of second wave of covid 19. However, post covid scenario the operating income has improved on year-on-year basis by 35% and stood at Rs.89.24 crore in FY22. Further the same has continued and the company has achieved revenue of Rs.72.41 crore in H1FY23, wherein the pace of execution has picked up thereby having sizeable unbilled revenue as compared to level of operations in the current fiscal. However, some comfort can be drawn from the growing order book position with pending work of about Rs.370 crore and growth in Real Estate industry.

- **Working capital intensive operation**

The business of IFSL, by its nature, is working capital intensive and this is more so as it is executing multiple projects across varied locations. Some part of the working capital also remains blocked as retention money or in the form of fixed deposits as margin against non-fund-based limits. To support the working capital requirement, the company is mainly relying on bank borrowings and high credit period being availed from its suppliers based on its long presence in the sector. The operating cycle of the company has decreased from around 287 days in FY21 to around 196 days in FY22. The company is into execution of specialized facades work with design, fabrication and execution done by them. Hence,



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for any project, they place order for the materials for a bulk portion resulting in raw material inventory for about 3-4 months due to the nature of fabrication procedures and also for smooth execution of work. Besides, the raw material at the project site which is not billed is also captured as unbilled revenue and is considered for calculation of operating cycle.

- **Customer Concentration risk**

The top 5 customers accounted for 72% of total revenue (although slightly reduced from 76% in FY21), indicating a highly concentrated client-base portfolio. The company is gradually diversifying geographically to other regions like Bangaluru, Pune, Chennai, Delhi & Gurgaon, etc., thereby reducing concentration in Mumbai from 52% of the order book as on October, 2022. Further with an attempt to diversify in infrastructure sector, the company is likely to focus more on institutional & corporate clients having better credit quality, thereby reduce its customer concentration risk going forward.

- **Volatility in input prices**

The cost of raw material accounted 50-60% of the cost of production. Major raw materials used by the company are aluminium and glass which are usually sourced from large players in vicinity of manufacturing facilities. In case of glass the procurement is order specific, based on predetermined prices negotiated before tendering the job and is firm throughout the project lifecycle, thus eliminating the risk of volatility in price. The company determines the order value taking into consideration the volatility in aluminium prices. Further any escalation in the prices of aluminium beyond a pre-determined level is passed on the customer thereby providing sufficient coverage against volatility in the prices of aluminium.

- **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



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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 for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate, as the company expected to generate sufficient cash accruals in the range of ~Rs.12.00 crore to Rs.21.00 crore for its projected figures to meet its repayment obligation which are very low. The liquidity is supported by current ratio of 2.15x and quick ratio of 1.29x respectively as on March 31, 2022. The company's funding requirements are mainly towards letters of credit and bank guarantees, and associated margin money. IFSL's total utilisation of non-fund-based limit stood at 76% and fund-based limits stood at 88% for the twelve months' period ended January 31, 2023. The company has adequate gearing headroom for additional debt with an overall gearing of 0.32 times as on March 31, 2022. The interest coverage ratio and DSCR is healthy with 4.38 times and 2.17 times respectively during FY22.

About the Company

Innovators Facade Systems Limited (IFSL) has incorporated in 1999. The company 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. The company 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).



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Financials (Standalone)*:

For the year ended / As on	(Rs. Crore)		
	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)	30-Sep-2022 (Un-audited)
Total Operating Income	65.87	89.24	72.41
EBITDA	8.28	10.52	7.71
PAT	0.79	1.63	1.16
Total Debt	24.64	33.13	35.77
Tangible Net worth	101.43	102.61	104.64
EBITDA Margin (%)	12.57	11.78	10.64
PAT Margin (%)	1.18	1.80	1.60
Overall Gearing Ratio (times)	0.24	0.32	0.34

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Type	Current Ratings (Year 2022-23)		Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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1.	Fund Based – GECL Loans	Long Term	9.07	IVR BBB / Stable	–	–	–
2.	Fund Based – Cash Credit	Long Term	25.75	IVR BBB / Stable	–	–	–
3.	Non-Fund Based – Letter of Credit	Short Term	20.00	IVR A3+	–	–	–
4.	Non-Fund Based – Bank Guarantee	Short Term	100.00	IVR A3+	–	–	–



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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, 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
Long Term – Fund Based – GECL Loans	–	–	July – 2026	9.07	IVR BBB / Stable
Long Term – Fund Based – Cash Credit	–	–	–	25.75	IVR BBB / Stable
Short Term – Non-Fund Based – Letter of Credit	–	–	–	20.00	IVR A3+
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	100.00	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-IFSL-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.