



## Press Release

### Interlace India Private Limited

April 03, 2024

#### Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	11.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	18.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>29.00</b> <b>(Rupees twenty-nine crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Interlace India Private Limited (IIPL) continues to derive comfort from its long track record of operations under experienced and qualified management, association with reputed clientele resulting in low counter party risk coupled with satisfactory order book position indicating healthy revenue visibility in the near term. Further, the ratings also note its diversified IT service portfolio with state-of-the-art servicing facilities and satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt coverage indicators. Moreover, the ratings also note support from its group company Chennai Radha Engineering Works Private Limited (CREWPL). These rating strengths are partially offset by its modest scale of operations, presence in highly competitive industry coupled with business risk associated with tender-based orders, working capital-intensive nature of its operation with high receivables and cyclicity in the IT industry coupled with technology obsolescence risk and country risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Sustenance of the capital structure with improvement in debt protection metrics

##### Downward Factors



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- Dip in operating income and/ or moderation in profitability impacting the debt coverage indicators
- Manage working capital requirements efficiently with improvement in liquidity position and reduction in its operating cycle

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced and qualified promoters and management team**

The promoters have vast experience in information technology domain. Mr. Sambandam Venkatesan, is the founder director of the company and a technocrat, having experience over fifteen years in the IT industry. The other directors are also highly qualified and having vast experience in IT and business operation. This apart, there is a group of experienced and adequately qualified personnel in various position of the company.

- **Long and successful track record**

The company started its business operation from 2007 in Chennai (Tamil Nadu), thus, enjoying over 15 years of successful operational track record. During this long tenure, the company gradually diversified its service portfolio in IT field and expanded to other states and countries for rendering IT service.

- **Support from group company “Chennai Radha Engineering Works Private Limited (CREWPL)”**

CREWPL holds ~14% shares of IIPL. CREWPL has a sound financial risk profile marked by its comfortable capital structure and healthy debt protection metrics. IIPL is expected to receive need-based support from CREWPL as and when required.

- **Reputed clientele resulting in low counter party risk coupled with satisfactory order book position indicating healthy revenue visibility**

Since inception, the company is engaged in providing Information Technology related services to various State Government, Central Government agencies and private organisations throughout the country. The company is empanelled service provider of National Information Centre, RITES (rated: IVR AAA/Stable/A1+), APGENCO, NSIC, IOCL, DUPONT, etc. This apart, the company also provides IT services to various big domestic private players engaged in banking, manufacturing and trading segments. The company



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maintains long term relationship with the clients and gets repeat orders regularly. As on March 23, 2024, the company has an order book amounting to ~Rs.68 Crore showing revenue visibility in the near term.

- **Diversified IT service portfolio with state-of-the-art servicing facilities**

The company provides services like, communication & networking, system integration, software development, web designing & multimedia, e-commerce, SEO, mobile application development etc. The primary customer of the company is Government agencies and has a well-established marketing channel in domestic as well as international market. The company has head quarter at Chennai and has other branches in Delhi, Bangalore, Aizawl and Bhubaneswar. The company maintains international standards for providing services and accredited with CMMi5, ISO 9001:2008, ISO 27001 and ISO 20000 certifications for quality of service.

- **Satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt coverage indicators.**

The financial risk profile of the company remained healthy marked by its comfortable debt equity ratio at 0.11x and overall gearing ratio at 0.32x respectively as on March 31, 2023 as compared to nil and 0.14x as on March 31, 2022 respectively. Moreover, the debt protection parameters of IIPL remained comfortable with an interest coverage ratio of 6.36x (8.23x in FY22) in FY23 and Total Debt/GCA of 2.00x as on March 31, 2023 (1.67x as on March 31, 2022). The moderation in interest coverage is due to increase in finance charges attributable to higher utilisation in bank borrowings to support the enhanced scale of operation.

### **B. Key Rating Weaknesses**

- **Small scale of operation**

The size of a player's operation in the IT services industry directly impact economies of scale benefits and its ability to sustain headwinds in terms of pricing pressure, attrition and loss of key clients. IIPL is relatively a small player in IT service business with a total operating income of ~Rs.102 crore in FY23 and ~Rs.67 crore in 9MFY24. However, being in service sector the company has satisfactory profit margin over the past three fiscals.

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



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IT/ITES industry is very competitive and mostly organised in India. IIPL 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 limit the bargaining power of the company and consequent pressure on its margins. Though the company is empanelled for various Government agencies for IT needs, but 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 and appear as the lowest bidder. Any changes in the government policy and spending on projects are likely to affect the revenues of the company.

- **Working capital intensive nature of operations and high receivables**

The operation of the company is working capital intensive. The company raises bills after the completion of work contract. The company's client base is majorly government entities, where in the payments is elongated owing to procedural delays. The average collection period stood at 131 days for FY23 whereas the procurement remains majority contract backed. Therefore, the company maintain minimal inventory.

- **Cyclical in the IT industry coupled with technology obsolesce risk and country risk**

IT industry is cyclical in nature which leads to fluctuation in demand. This apart the industry is highly technology oriented which keeps changing time to time. Thus, the company has to keep upgrading its work procedure according to the needs of the clients.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

[Rating Methodology for Service Sector Companies](#)

[Parent group support](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

#### **Liquidity: Adequate**

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its insignificant term debt repayment obligations during FY24-FY26. The company has earned a gross cash accrual of Rs.5.15 crore in 9MFY24. Further, the average working capital utilisation of the company remained



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satisfactory at ~73% in the past 12 months ended in January 2024 indicating an adequate liquidity buffer. Moreover, driven by its comfortable gearing ratio the company has adequate gearing headroom.

### **About the Company**

Incorporated in February 2007, Interlace India Pvt Ltd (IIPL) was promoted by Chennai (Tamil Nadu) based technocrat Mr. Sambandam Venkatesan. Since inception, the company is engaged in providing Information Technology related services to various State Government, Central Government agencies and private organisations throughout the country. The company provides services like, communication & networking, system integration, software development, web designing & multimedia, e-commerce, SEO, mobile application development etc.

### **Financials of Interlace India Private Limited (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	34.94	101.58
EBITDA	4.12	8.46
PAT	2.16	6.43
Total Debt	5.36	14.71
Tangible Net worth	38.99	45.41
EBITDA Margin (%)	11.79	8.33
PAT Margin (%)	6.12	6.18
Overall Gearing Ratio (x)	0.14	0.32
Interest Coverage Ratio (x)	8.24	6.36

\*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 Instrument/Facilities	Current Rating (Year 2024-25)			(Rs. Crore)		
		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	Long Term	11.00	IVR BBB-; Stable	-	IVR BBB-; Stable	-





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Sr. No.	Name of Instrument/Facilities	Current Rating (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	Date(s) & Rating(s) assigned in 2021-22
						(March 24, 2023)	
2.	Bank Guarantee	Short Term	18.00	IVR A3	-	IVR A3 (March 24, 2023)	-

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### About Infomerics Ratings:

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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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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	11.00	IVR BBB-; Stable
Bank Guarantee	-	-	-	18.00	IVR A3

### Annexure 2: Facility wise lender details:

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

**Annexure 3: List of companies considered for consolidated analysis:** Not Applicable

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