



Press Release

Ascent-E-Digit Solutions Private Limited [AEDSPL]

January 11, 2021

Ratings

| Sl. No. | Instrument/Facility | Amount (INR Crore) | Current Ratings | Rating Action |
|---------|---|--|--|---|
| 1 | Long Term Fund Based Facilities- Cash Credit | 7.50 (Reduced from INR 10.00 Crore) | IVR BBB -/ Positive Outlook (IVR Triple B Minus with Positive Outlook) | Rating Reaffirmed; Outlook Revised to Positive from Stable |
| 2 | Short Term Non- Fund Based Facilities- Bank Guarantee | 25.00 | IVR A3 (IVR A Three) | Reaffirmed |
| 3 | Long Term Fund Based Facilities-Working Capital Term Loan | 2.30 | IVR BBB -/ Positive Outlook (IVR Triple B Minus with Positive Outlook) | Assigned |
| 4 | Proposed Short Term Non-Fund Based Facilities- Bank Guarantee | 10.00 | IVR A3 (IVR A Three) | Assigned |
| 5 | Proposed Long Term Fund Based Facilities- Cash Credit | 2.50 | IVR BBB -/ Positive Outlook (IVR Triple B Minus with Positive Outlook) | Assigned |
| 6 | Letter of Credit | 5.00* | Withdrawn | Withdrawn |
| | Total | 47.30 | | |

*Limit is withdrawn as the facility has been closed & become sub limit to BG; hence, not considered in total limit.

Details of Facilities are in Annexure 1

Detailed Rationale

AEDSPL's rating outlook has been revised to positive from stable on account of expected substantial improvement in revenue in FY21 & beyond while maintaining the debt protection metrics at FY20 level. Further, rating continues to derive strength from company's experienced promoters with long standing relationship with suppliers, Comfortable capital structure and debt protection metrics, Efficient working capital management and Stable



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demand from Banking, Financial Services & Insurance (BFSI) for IT Hardware equipment's. However, the rating strengths are partially offset by modest scale of operation, Client Concentration Risk and uncertainty involved with the acquisition of new orders.

Key Rating Sensitivities:

Upward Factor

- Significant & sustained improvement in scale of operation while maintaining the debt protection metrics at the current level could lead to a positive rating

Downward Factor

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics could lead to a negative rating action

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters with long standing relationship with suppliers

Ascent e- Digit Solutions Private Limited (AEDSPL) was incorporated as a private limited Company in year 2010 by Mr. K.P. Mutharasu and Mr . B. Dharmaraj. Mr. K. P. Mutharasu has more than three decades of experience in the field of IT & peripherals supplies and in Managing Government Accounts and Liasoning. He is credited for bringing AEDSPL as one of the top IT peripheral supplying companies to serve the Government of Tamil Nadu. Mr. B. Dharmaraj has an experience of 17 years plus in the field of IT Hardware equipment and has worked with multinational companies such as HCL. Over the years of its operation, the company has established contacts with reputed computer and peripherals manufacturers. As a result, they have been able to negotiate better terms and pricing with their suppliers which have helped them successfully bid and win tenders for AEDSPL.

Diversified Customer profile

The company has a pan India presence with projects across regions mitigating the geographic concentration risk since the major chunk of the business of the company is from government open tenders, Government e Market place (GeM) tenders and BFSI based tenders .Over the years the company has diversified its revenue profile and customer base.



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AEDSPL has won tenders for various government departments like Electronics Corporation of Tamilnadu Limited (ELCOT), Indian Oil Corporation, Karur Vysya Bank, Indian Bank, Indian overseas bank, Women's development board, Child's Welfare and Disabled Development board, State Bank of India, postal department, etc. This has ensured a large customer base for the company. Through ELCOT, they have supplied various IT products to State Government departments across the length and breadth of Tamil Nadu.

Comfortable capital structure and debt metrics

The overall gearing ratio of the company was comfortable and saw an improvement in FY20. Overall Gearing Ratio of the company was comfortable and it saw a decrease in FY20 to 0.07x from 0.59x in FY19. Interest coverage ratio was also comfortable at 4.71 times as on March 31, 2020.

Efficient working capital management

The company able to manage the working capital by keeping the gross cash conversion cycle below two months. The gross cash conversion cycle expected to remain comfortable.

Stable demand from BFSI for IT Hardware equipment's.

Buoyed by the push from the banking sector towards cashless transactions, IT spending has increased in the banking sector. AEDSPL has also witnessed stable demand from the BFSI sector for IT Hardware equipment and it has added KVB, Indian Bank, IOB, Corporation Bank, APGB, Andhra Bank, Central Bank, Canara Bank and syndicate Bank to its customer roster. Going forward, the primary focus of AEDSPL is to maximize their customer base in BFSI vertical in Southern states and Mumbai.

Key Rating Weaknesses

Modest scale of operation

Ascent E Digit Solution Private Limited has a modest scale of operations; it had a Total Operating income of Rs.123.55 crore in FY20 (FY19: Rs.104.74 crore). Though there is a Y-O-Y increase of around 17.96 % in operating income in FY-20. In H1FY21 it has booked the revenue of Rs.67.25 crore (H1FY20: Rs.59.65 crore)



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Client Concentration Risk

Over the years the company has diversified its revenue profile and customer base. AEDSPL has won tenders for various government departments like Electronics Corporation of Tamilnadu Limited (ELCOT), Indian Oil Corporation, Karur Vysya Bank, Indian Bank, Indian overseas bank, Women's development board, Child's Welfare and Disabled Development board, State Bank of India, postal department, etc. However, top 10 clients account for around 79.36% of the sales, thus posing the client concentration risks. AEDSPL is one of the major Rate Contract (RC) holders of Electronics Corporation of Tamilnadu Ltd (ELCOT) from the last ten years which accounts for around 18.16% of the company's revenue (Though declined from FY19 share 28%) and Government e Market place (GEM) accounts for 21.04% of sales in FY20.

Uncertainty involved with the acquisition of new orders

Nearly 75% of the company's revenue comes from government projects and BFSI that are awarded through closed bidding processes. There is always an uncertainty to the number of projects that could come up in any financial year.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for services sector companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Strong

Strong liquidity is characterized by comfortable gross cash accruals of INR. 5.50 Cr against repayment obligation of INR 0.25 Crore in FY20. The liquidity of the company expected to remain strong in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. Liquidity is further supported by current ratio of 3.89x and quick ratio of 3.53x in FY20 and average working capital utilization of 25 % for the past one year ending Nov-20.



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About the Company

Ascent e-Digit Solutions Private Limited (formerly known as Zigma Computer Links) was started in 1991 as a small partnership firm. Owing to ever expanding operations, Zigma Computer Links graduated to a private company in the name of “Ascent E-Digit Solutions Private Limited” of by virtue of Part IX of the Companies Act 1956 so that it enables the firm to retain its supremacy and experience intact. AEDSPL provides IT Hardware System Integration solutions to various State Government and Central Government departments, Banks, corporate, educational institutions and SMB's. By virtue of experience gained over the years, the company evolved as a strong B2B Company and has developed strong service network all over South India.

Financials: (Standalone)

(INR Crore)

| For the year ended/ As On* | 31-03-2019 (Audited) | 31-03-2020 (Audited) |
|----------------------------|-------------------------|-------------------------|
| Total Operating Income | 104.74 | 123.55 |
| EBITDA | 5.12 | 8.34 |
| PAT | 2.21 | 5.28 |
| Total Debt | 6.21 | 1.21 |
| Tangible Net-worth | 10.50 | 18.28 |
| EBITDA Margin (%) | 4.89 | 6.75 |
| PAT Margin (%) | 2.10 | 4.25 |
| Overall Gearing Ratio (x) | 0.59 | 0.07 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Acuite Ratings & Research in its press release published on November 05, 2019 has classified the case under Issuer Not Cooperating status.

Any other information: N.A

Rating History for last three years:



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| Sl. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|--|-------------------------------|--------------------------------|---------------------------|---|---|---|
| | | Type | Amount outstanding (INR Crore) | Rating | Date(s) & Rating(s) assigned in 2019-20 (November 30, 2019) | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 1. | Fund Based Facility – Cash Credit | Long Term | 7.50 | IVR BBB-/Positive Outlook | IVR BBB-/Stable Outlook | -- | -- |
| 2 | Non Fund Based Facility- Bank Guarantee | Short Term | 25.00 | IVR A3 | IVR A3 | | |
| 3 | Fund Based Facilities- Working Capital Term Loan | Long Term | 2.30 | IVR BBB-/Positive Outlook | -- | -- | -- |
| 4 | Proposed Non Fund Based Facilities- Bank Guarantee | Short Term | 10.00 | IVR A3 | -- | -- | -- |
| 5 | Proposed Fund Based Facilities- Cash Credit | Long Term Fund | 2.50 | IVR BBB-/Positive Outlook | -- | -- | -- |
| 6 | Letter of Credit | Short term | 5.00 | Withdrawn | IVR A3 | -- | -- |

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



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long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

| Name of Facility | Size of Facility (INR Crore) | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Rating Assigned/ Outlook |
|---|------------------------------|------------------|------------------|---------------|----------------------------|
| Long Term Fund Based Facility – Cash Credit | 7.50 | NA | NA | -- | IVR BBB- /Positive Outlook |
| Short Term Fund Based Facility – Bank Guarantee | 25.00 | NA | NA | -- | IVR A3 |
| Long term Fund Based Facilities-Working Capital Term Loan | 2.30 | NA | NA | 4 years | IVR BBB- /Positive Outlook |
| Proposed Short Term Non Fund Based Facilities- Bank Guarantee | 10.00 | NA | NA | -- | IVR A3 |
| Proposed Long Term Fund Based Facilities- Cash Credit | 2.50 | NA | NA | -- | IVR BBB- /Positive Outlook |

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Ascent-EDigit-lenders-11jan21.pdf>