



Press Release

Ishan Infotech Limited (IIL)

January 22, 2022

Ratings:

(Rs in Crore)

Instrument / Facility	Amount	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Working Capital - Cash Credit/OD	4.80 (Increased from 4.50)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised	Simple
Proposed Long Term Fund Based Working Capital	0.20 (Decreased from 0.50)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised	Simple
Short Term Non-Fund Based Bank Facilities - Bank Guarantee	34.25 (Increased from 28.30)	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed	Simple
Proposed Short Term Non-Fund Based Bank Facilities - Bank Guarantee	20.75 (Decreased from 26.70)	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed	Simple
Total	60.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The reaffirmation of the rating assigned to the bank facilities of Ishan Infotech Limited (IIL) continues to derive Strength from the experienced promoters, increasing scale of operations, healthy financial risk profile and diversified customer base. However, these strengths are partially offset by industry fragmentation.

The positive outlook reflects overall expected improvement in FY22 and beyond.



Press Release

Key Rating Sensitivities:

Upward Factors

- Significant and sustained improvement in overall scale of operations leading to improvement in debt protection metrics.

Downward Factors

- Any decline in the operating income and/or profitability.
- Significant deterioration in the debt protection parameters of the group from the current level.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters:

The promoters of the Company are well qualified and possesses an extensive experience in the line of activity. Mr. Pinkesh Kotecha, who is spearheading the group, is having over 2 decades of experience in the sector. The affairs of the group are managed by a team of well experienced professionals who are experts in their respective fields.

Increasing scale of operations:

The consolidated total operating income has witnessed a steep increase with CAGR of ~45.00% from FY19-FY21. TOI of Rs. 164.88 Crs in FY21 from Rs. 140.02 Crs in FY20 and Rs. 125.86 Crs in FY19. The Group has reported an EBITDA & PAT margin of 13.76% & 6.86% respectively in FY21. In 9M FY22 the group has achieved the revenue of INR 341.74 crore (9M FY21: INR104.20 crore)

Healthy Financial Risk profile:

Capital structure of the Group remained comfortable with an overall gearing of 0.05x as on March 31, 2021 (FY20:0.12x). Debt protection indicators remained comfortable marked by an interest coverage of 25.67x as at FY21 and total debt to GCA of 0.19x in FY21. The Company does not have any major term debt outstanding.



Press Release

Diversified customer base:

For its Communication Business, the group has customer base of over 3000 enterprises and retail subscriber of over 30000. For its system integration division, it has projects on hand from various reputed government as well as private entities.

Key Rating Weaknesses:

Industry fragmentation:

Highly Fragmented industry consists of large multinational players. The Indian market, however, is very price-sensitive, and since the supply base is not one whole unit, buyers can choose from an array of dealers and suppliers in proximity.

Analytical Approach:

Consolidated: For arriving at the ratings, Infomerics has taken the consolidated approach by combining the financial profile of Ishan Netsol Private Limited and Ishan Infotech Limited, collectively referred to as the Ishan group, as both the companies are having common promoters & management team and business integration.

Applicable Criteria:

Rating Methodology for [Service Sector Companies](#).

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The group has a healthy liquidity position marked by an adequate current ratio of 1.48 times as on FY21 along with healthy gross cash accruals against maturing repayment obligations. The group also has cash and cash equivalents to the tune of Rs. 13.34 Crore (Including restricted deposits of Rs. 10.12 Crore) as on March 31, 2021. The average utilization of fund-based OD is ~40.00% for last 12 month ended December 31, 2021.

About the Company:

About Ishan Infotech Limited

IIL was incorporated in 2000 and is a system integrator. The Company helps its customers by presenting the most technically and commercially viable solutions. IIL is a leader in providing e-governance, networking, security, and storage solutions along with distinctive capabilities.



Press Release

About Ishan Netsol Private Limited

INPL was incorporated in 2007 and is the communication arm of Ishan Group which has successfully acquired License of Category A from Department of Telecommunication to provide internet services PAN India. INPL provides internet and broadband connectivity for Retail, SMB, SME and government clients through fast, flexible and innovative approach that matches clients' business and budgetary requirements.

Financials: (Consolidated)

(INR Crore)

For the year ended*/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	140.02	164.88
EBITDA	19.95	22.56
PAT	9.96	11.31
Total Debt	5.49	3.32
Tangible Net-worth	40.54	52.26
Ratios		
EBITDA Margin (%)	14.35	13.76
PAT Margin (%)	7.12	6.86
Overall Gearing Ratio (x)	0.12	0.05

*Classification as per Infomerics' standards

Financials (Standalone) of IIL

(INR Crore)

For the year ended*/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	71.28	77.64
EBITDA	6.43	6.07
PAT	3.51	3.91
Total Debt	3.39	1.71
Tangible Net-worth	16.84	20.73
Ratios		
EBITDA Margin (%)	9.02	7.81
PAT Margin (%)	4.89	5.00
Overall Gearing Ratio (x)	0.20	0.08

Status of non-cooperation with previous CRA: Nil

Any other information: NA



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (23-10-20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Working Capital - Cash Credit/OD	Long Term	4.80	IVR BBB/ Positive Outlook	IVR BBB/ Stable Outlook	--	--
2.	Proposed Long Term Fund Based Working Capital	Short Term	0.20	IVR BBB/ Positive Outlook	IVR BBB/ Stable Outlook	--	--
3.	Short Term Non-Fund Based Bank Facilities - Bank Guarantee	Long Term	34.25	IVR A3+	IVR A3+		
4.	Proposed Short Term Non-Fund Based Bank Facilities - Bank Guarantee	Short Term	20.75	IVR A3+	IVR A3+	--	--

Name and Contact Details of the Rating Team:

Name: Mr. Shreekant Kadere

Tel.: (022) 6239 6023

Email: shreekant.kadere@infomerics.com

Mr. Amit Bhuwania

Tel.: (022) 6239 6023

Email: abhuwania@infomerics.com

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



Press Release

widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for 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



Press Release

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Working Capital - Cash Credit/OD		--	-	4.80	IVR BBB/ Positive
Proposed Long Term Fund Based Working Capital				0.20	IVR BBB/ Positive
Short Term Non-Fund Based Bank Facilities - Bank Guarantee		--	--	34.25	IVR A3+
Proposed Short Term Non-Fund Based Bank Facilities - Bank Guarantee		--	--	20.75	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Ishan Netsol Private Limited (INPL)	Full
Ishan Infotech Limited (IIL)	Full

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Ishan-Infotech-lenders-jan22.pdf>

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