



Press Release

NextNode Solutions Private Limited

August 23, 2023

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.50	IVR B / Stable (IVR Single B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	9.50	IVR A4 (IVR A Four)	Assigned	Simple
Total	21.00	(Rupees Twenty-one crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of NextNode Solutions private limited(NSPL) draws comfort from its experienced promoters and management with diversified customer Profile. However, these rating strengths are partially offset by Moderate Scale of Operations with thin Profitability Margins, Weak Debt Protection Metrics and Leveraged Capital Structure, Risk of uncertainty involved with the inflow of number of projects, Competition from major players in the industry, technology obsolescence risk.

Key Rating Sensitivities:

Upward Factor:

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics and capital structure.

Downward factor:

- Any further decline in revenue and/or EBITDA margin leading to a decline in debt protection metrics and capital structure.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths Experienced promoters and Management

Mr. Amin V. Atulbhai is the director of the company and has an overall experience of 20 years. Along with him Mr. Shradul M. Patel who has an overall experience of 15 years and Mr. Ajay S. Patel who has an overall experience of 15 years manage the operations of the company. They have relevant experience in the industry and are supported by experienced middle management.

Diversified customer profile

The company has diversified customer profile. The top 10 customers accounted for around 25% of total operating income (TOI) in FY2022. Thus, catering to an array of a diversified customer base in the industry. As per management, ~80% of the projects that the company executes belongs to government and PSUs and ~20% to private.

Key Rating Weaknesses

Moderate Scale of Operations with thin Profitability Margins

TOI of NextNode Solutions Private Limited (NSPL) has declined marginally Y-o-Y by 4% in FY22 i.e. from Rs. 133.68 Crore in FY21 to Rs. 128.29 Crore in FY22. This declined because of lower execution of orders in FY22 as compared to FY21. The same has further declined to Rs. 97.89 crore in FY23 (Prov.).

The profitability margins of the company marked by EBITDA margin increased by 23bps in FY22 i.e. from 1.28% in FY21 to 1.51% in FY22. The operating margins improved due to high margins earned on executed orders. However, PAT margin declined by 1bps in FY22 i.e. from 0.11% in FY21 to 0.10% in FY22. This declined because of higher interest cost in FY22. The company has reported EBITDA margin and PAT margin of 2.82% and 0.27% respectively in FY23.



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Gross Cash Accrual of the company decreased Y-o-Y by 11% i.e. from Rs. 0.18 Crore in FY21 to Rs. 0.16 Crore in FY22. This decreased because of decline in overall profitability. The company has reported gross cash accruals of Rs. 0.30 crore in FY23.

Weak Debt Protection Metrics and Leveraged Capital Structure

DSCR of the company is 1.11x in FY22 as against 1.13x in FY21 and 1.13x in FY23. The ISCR of the company is 1.29x in FY22 as against 1.21x in FY21 and 1.18x in FY23. Total Debt to GCA also stands high at 131.60 years in FY22 (FY21: 79.54); deteriorated on account of increase in total debt to Rs. 20.71 Crore as on March 31, 2022 (FY21: 14.00). The same was 37.79 years in FY23.

The capital structure of the company is leveraged marked by Overall Gearing Ratio of 42.24 times as on 31-Mar-2022 on account of lower amount of net worth of Rs. 0.49 Crore as against the total debt of Rs. 20.71 Crore of the company as on March 31, 2022. The overall gearing stood at 4.51 times as on March 31, 2023. The total indebtedness of the company as reflected by TOL/TNW is 61.39x as on 31-Mar-22 (27.74x as on 31-Mar-21). This deteriorated on account of increase in sundry creditors and bank borrowings. TOL/TNW stood at 7.37x as on March 31, 2023.

Risk of uncertainty involved with the inflow of number of projects

Majority of the company's revenue comes from government projects that are awarded through closed bidding processes. There is always an improbability attached to the number of projects that could come up in any financial year. Further, as government institutions fund the projects, the risks of delays and cost overrunning exist as well.

Competition from major players in the industry, technology obsolescence risk

Company faces stiff competition from large industry players impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. Any adverse technological changes could have an adverse impact on the revenues of company.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating methodology for service Sector companies](#)

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

[Criteria for assigning rating Outlook](#)

Liquidity – Adequate

The liquidity of the company is adequate on account of nil long term debt repayment obligation vis-à-vis moderate amount of GCA. The average working capital utilisation of the company for last 12 months ending July`23 is 85.51%. The current ratio of the company is 0.95x as on 31-Mar-2022 and 1.01x as on 31-Mar-2023. The cash operating cycle of the company is 25 days in FY22 and 42 days in FY23. The amount of unencumbered cash is Rs. 0.20 Crore as on 31-Mar-2022.

About the Company

Nextnode Solutions Private Limited was established in year 2018. The company carries out the business of system study, analysis, design, coding, testing, documentations, development and implementation of software relating to commercial and non-commercial usages through the use of various magnetic media, digital media & internet and to render service related to providing information systems solutions and business multimedia and other information technology enabled services and provides turn key solution for the same and also provides software solutions such as designing, building and managing E-Governance, ICT (Information and Communication Technology), Power and other utility infrastructure solutions.

Financials (Standalone) :

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023



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	Audited	Provisional
Total Operating Income	128.29	97.89
EBITDA	1.94	2.76
PAT	0.13	0.27
Total Debt	20.71	11.21
EBITDA Margin (%)	1.51	2.82
PAT Margin (%)	0.13	0.39
Overall Gearing Ratio (x)	42.25	4.51

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	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
1.	Long Term Bank facilities	Long Term	11.50	IVR B / Stable (IVR Single B with Stable Outlook)	-	-	-
2.	Short Term Bank facilities	Short Term	9.50	IVR A4 (IVR A Four)	-	-	-

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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



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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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 Bank Facility CC	-	-	-	11.50	IVR B / Stable
Short Term Bank Facility – LC's / BG's	-	-	-	9.50	IVR A4

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NextNode-aug23.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.

