

Press Release

ArMee Infotech Private Limited

September 9, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Fund Based Limits	7.00	IVR BBB-/Stable Outlook (IVR Triple B ;Minus with Stable Outlook)
2.	Short Term Non-Fund Based Facilities – LC	1.00	IVR A3 (IVR A Three)
3.	Proposed Short Term Non-Fund Based Facilities – BG	10.00	IVR A3 (IVR A Three)
	Total	18.00	

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from experienced promoter and eminent board, reputed clientele, diversified revenue profile, improving profitability margins, comfortable gearing and debt coverage indicators, presence in niche segment and strategic location of the airfield. The rating however is constrained by range bound and moderate scale of operation, moderate order book position and complex nature of business. Scale of operation and adequate cash flow generation, leverage, government regulations and policies are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

- ***Experienced management and long track record of operations***

Established in 2002, AIPL is engaged in rendering system integration services to large corporate and Govt. bodies. The company has an experienced management team having decades of expertise in the IT industry. The company is promoted by Mr. Riddhish Patel, having more than a decade of experience in the field of software and hardware and Mr. Kiritbhai Patel, have experience in IT support and hardware services.

- ***Diversified customer profile and geographic presence***

The company has a presence across pan India with projects across regions mitigating the geographic concentration risk since the major chunk of the business of the company is government tender based. The top 10 customers account for around 40% of the sales, thus catering to an array of a diversified customer base in the industry.

- ***Comfortable capital structure***

The overall gearing ratio of the company was comfortable as on account closing days of the last three years. It saw a marginal decrease in FY19 to 0.35x from 0.49x in FY18 because of significant increase in quasi-equity from FY18 to FY19. Long term debt-equity ratio significantly decreased in FY19 to 0.07x from 0.49x in FY18 due to a significant reduction in long term debt of the company.

Key Rating Weaknesses

- ***The uncertainty involved with the number of projects***

Nearly 90% of the company's revenue comes from government projects that are awarded through closed bidding processes. There is always an improbability to the number of projects that could come up in any financial year. The company saw de-growth in FY2017 as it did not have any substantial value of work order with it. This risk would persist in the future as well. There is also a decrease in sales in FY19 because of delay in some projects from government institutions. Also, as the projects are financed by the government bodies, the risk of delays and cost overrunning too exist.

- ***Volatile Profitability***

As the profitability of company hinges on the number of projects that it successfully acquires, the company profits have been volatile. It saw a sizeable reduction in its PAT in FY19 owing to less number of projects it had. Going forward, the profitability is expected to grow in the next two years owing to the ongoing projects but in the long term, the uncertainty would still persist.

- **Working Capital Intensive Operations**

The average collection period for FY19 is 147 days and inventory holding period is 20 days. This implies working capital intensive operations where much of the company cash is locked up with the customers. On average, the company takes around 154 days to pay its suppliers.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for Service sector companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity

The company has no long term debt. It is earning sufficient GCA to meet its repayment obligations with comfortable interest coverage ratio and DSCR. The company's working capital limits are highly utilized, however there is sufficient headroom for increasing limits to support increased WC requirements. Company characterised by adequate liquidity.

About the Company

Armee Infotech Private Limited commenced as a partnership firm namely M/s Armee Infotech in 2002 with three partners namely Mr. Kirit C Patel, Mr. Ami R Patel, and Mr. Riddhish K Patel converted to a private entity in April 2017. The firm was intermeshed in trading of computer systems, peripheral and other allied products. Later on, AIPL became a system integrator supporting players like HCL, Wipro, HP, Acer and in providing last miles solutions concerning installation, networking, maintenance and repairing.

Armee Infotech provides IT Consulting, Systems Integration, End to End Smart Audio Visual System Integration, Managed Services, BPO, IT applications and Cloud services.

Financials (Standalone) (Rs. crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	125.51	109.24
EBITDA	6.37	9.01

PAT	2.87	2.92
Total Debt	9.85	10.37
Tangible Networth	20.11	29.80
EBITDA Margin (%)	5.07	8.25
PAT Margin (%)	2.28	2.66
Overall Gearing Ratio (x)	0.49	0.35

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	7.00 (including proposed limit of Rs.4.00 crore)	IVR BBB- /Stable Outlook	--	--	--
2.	Non-Fund Based Facilities – LC	Short Term	1.00	IVR A3	--	--	--
3.	Non-Fund Based Facilities – BG	Short Term	Proposed Limit Rs. 10.00 crore	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 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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	7.00 (including proposed limit of Rs.4.00 crore)	IVR BBB- /Stable Outlook
Bank Guarantee	--	--	--	Proposed Limit Rs. 10.00 crore	IVR A3
Letter of Credit	--	--	--	1.00	IVR A3