



Press Release

ArMee Infotech Private Limited (AIPL)

November 18, 2020

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facilities – Cash Credit	7.00	IVR BBB-/ Credit Watch with Developing Implications; (IVR Triple B Minus Credit Watch with Developing Implications)	Rating Reaffirmed and placed on watch with developing implications
2	Short Term Non Fund Based Facilities – Bank Guarantee	10.00	IVR A3 (IVR Single A Three)	Reaffirmed
3	Short Term Non Fund Based Facilities – Letter of Credit	1.00	IVR A3 (IVR Single A Three)	Reaffirmed
	Total	18.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to derive its strength from experienced management and long record of accomplishment of operations, diversified customer profile and geographic presence and improvement in the capital structure and comfortable debt protection parameters. However, the rating strengths are partially offset by working capital intensive nature of operations and working capital intensive nature of operations.

The rating has been placed under credit watch with developing implications due to lower than expected achievement of overall financial performance.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial scaling up its operations while maintaining stable profitability margins
- **Downward Factor**
 - Deterioration in business risk profile which impacts the debt protection metrics.

Key Rating Drivers with detailed description



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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 its 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 ~53% of the sales in FY2020(P), thus catering to an array of a diversified customer base in the industry.

Improvement in the capital structure and comfortable debt protection parameters

AIPL has witnessed gradual improvement in its capital structure over the last three account closing dates backed by infusion of funds in the form of unsecured loans via directors and related parties during the aforesaid period (FY18-FY20) and accretion of profit to net worth. The debt equity ratio remained satisfactory and improved from 0.42x as on March 31, 2018 to 0.33x as on March 31, 2020(P) and the overall gearing ratio though remained moderate improved from 0.80x as on March 31, 2018 to 0.65x as on March 31, 2020(P). Total indebtedness as reflected by the TOL/TNW also remained moderate at 2.73x as on March 31, 2020. Further, the interest coverage ratio stood comfortable at 3.93x as on March 31, 2020.

Key Rating Weaknesses

Risk of uncertainty involved with the inflow of 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 attached to the number of projects that could come up in any financial year. The company has been witnessing a declining trend in its operations since FY18 due to uncertainty in number of project allotment and company's focus on improving the profit margins. This risk could persist in the future as



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well. Further, as government institutions fund the projects, the risks of delays and cost overrunning exist as well.

Working capital intensive nature of operations

A IPL's business has moderately large working capital requirements, as reflected in the collection period of 109 days as on March 31, 2020(P) as against the average creditor days of 112 days for FY2020(P), implying working capital intensive operations where much of the company's cash is locked up with the customers.. Furthermore, the company's major proportion of receivables is comprised of Government institutions resulting in long periods of payment thereby the working capital cycle remained elongated. Moreover, the average working capital limits utilization stood at ~99.10% during the last 12 months period ended September' 2020 leaving limited liquidity buffer from its working capital limits.

Analytical Approach &Applicable Criteria:

Standalone Approach

Rating Methodology for Service sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near term, as there is negligible size of long-term debt in the company and generates sufficient cash accruals against its long-term debt obligations. Further, the company's current ratio and quick ratio stood at 1.29x and 1.14x respectively as on March 31, 2020(P). However, as the company's operations are working capital intensive in nature it leads to higher reliance on the working capital limits. The average bank limit utilization stood at approximately 99.10% for twelve months ended September 30 2020.

About the Company

Incorporated in 2003, Armeem Infotech Pvt. Ltd. (erstwhile known as Blosaam Infraspac Private Limited) is an IT Infrastructure & System Integrator. The promoters of the company started their operations under a partnership firm known as M/s Armeem Infotech in 2002 with three partners namely Mr. Kirit C Patel, Mr. Ami R Patel, and Mr. Riddhish K Patel. They subsequently merged in a Private limited entity known as Blosaam Infraspac Private



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Limited in April 2017. AIPL is a neoteric system integrator in the Integration & Delivery domain operating for more than a decade, facilitating brick and mortar enterprises in their IT and Digital transformation endeavours.

Financials:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	110.73	97.00
EBIDTA	5.95	9.50
PAT	2.90	4.11
Total Debt	13.98	15.67
Tangible Net-worth	19.87	24.00
Ratios		
EBIDTA Margin (%)	5.38	9.79
PAT Margin (%)	2.58	4.17
Overall Gearing Ratio (x)	0.70	0.65

* 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (September 09 th , 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Facilities – Cash Credit	Long Term	7.00	IVR BBB-/ Credit Watch with Developing Implication	IVR BBB-/Stable	--	--
2.	Non Fund Based Facilities – Bank Guarantee	Short Term	10.00	IVR A3	IVR A3	--	--
3.	Non Fund Based Facilities – Letter of Credit	Short Term	1.00	IVR A3	IVR A3	--	--



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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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Cash Credit	7.00	NA	NA	Revolving	IVR BBB-/ Credit Watch with Developing Implication
Short Term Non Fund Based Facilities – Bank Guarantee	10.00			-	IVR A3



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Short Term Non Fund Based Facilities – Letter of Credit	1.00			Upto 120 days	IVR A3
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