



Rating Rationale

Apoorva IT Solutions Pvt. Ltd.

04 Nov 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 12.50 Crores of Apoorva IT Solutions Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous** (Sep 2018)	Present
Fund based Cash Credit Cash Credit (Proposed)	4.00 -	4.00 1.50	Long Term	BWR BB+ Stable	BWR BB+ Stable (Reaffirmed)
Non Fund Based Letter of Credit Bank Guarantee Bank Guarantee (Proposed)	3.50 2.50 -	3.50 2.50 1.00	Short Term	BWR A4+	BWR A4+ (Reaffirmed)
Total	10.00	12.50	Rupees Twelve Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

**The rating was migrated to rating not reviewed category in Sep 2019.

RATING ACTION/ OUTLOOK

BWR reaffirms the long term ratings at BWR BB+ Stable and short term ratings at BWR A4+ for the bank loan facilities of Apoorva IT Solutions Pvt Ltd.

The outlook is Stable as the company has been able to achieve growth in top line and bottom line in FY19 and expected to grow in FY20.

The rating reaffirmation reflects increase in sales , improved profitability YOY, low gearing , moderate current ratio and promoters' experience in the IT industry, reputed clientele and tie up



with brands like HP, Cisco, Microsoft, Red Hat, Oracle, Panasonic and exclusive Distributor in India for world leaders Crystal Group Inc (Rugged Servers, Workstations, Embedded Computers, Networking), Accumentrics Inc (Rugged Ups) and VT Miltope (Rugged Laptops). However, the rating is constrained by moderate scale of operations, Low net worth, low debt protection metrics, exposure to intense competition from established players.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19 , projection upto FY21 and publicly available information and information / clarification provided by the management.

Credit Strengths:

- Increase in sales though marginal , to Rs. 37.39Cr. in FY19 against Rs. 32.11 Cr. in FY18..
- Low Gearing with TD/TNW of 0.84 times in FY19 against 1.20 times in FY18.
- Profit margins are healthy marked by OPM of 4.05 times and NPM of 1.25 times in FY19.
- Liquidity is comfortable with current ratio of 1.38 times in FY19 and 1.45 times in FY18
- Management has more than two decades of experience and have established healthy clientele.

Credit Concerns:

- Net Worth is low with TNW of Rs. 6.59 Cr. in FY18 however the same increased to Rs. 7.06 Cr. in FY19.
- Debt coverage metrics are low with ISCR of 1.32 times in FY19 against 1.15 times in FY18 and DSCR of 0.92 times in FY19 against 0.65 times in FY18.
- Exposure to intense competition from established players.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked



detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to accelerate its scale of operations, increase its profit margins, compliance of bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive or rating may be upgraded if the company is able to sustain its growth and profit margins. Any additional infusion of share's capital would help to improve its capital structure of the company.

Negative: The rating outlook may be revised to negative or rating may be downgraded if the entity achieve lower revenue and profit margins than projected.

LIQUIDITY POSITION: Adequate

The cash and cash equivalents of Apoorva IT Solutions Pvt Ltd stand at Rs 0.26 Cr in FY19. The current ratio of the company stands at 1.38 x in FY19. The ploughing back of profits has supported liquidity and such funding support will be available whenever required.

COMPANY PROFILE

Apoorva IT Solutions Pvt. Ltd. based in Hyderabad, was established in the year 1998. They offer Integrated IT solutions and services to the defence, public sector units and corporate companies. It is an ISO 9001:2015 certified company managed by K. Muralidhar Reddy and K. Rekha who have over two decades of experience and have established clientele that comprises of government agencies such as Research Centre Imarat (A defence Org.), Defence Research & Development Laboratory, Defence Electronics, Research Laboratory (DLRL), Bharat Dynamics Ltd.(PSU), Advance Systems Laboratory, ANURAG, PGAD, ADA, Electronics Corporation of India Ltd (PSU), Bharat Electronics Ltd. (PSU), National Remote Sensing Centre, Hindustan Aeronautics Ltd., National Thermal Power Corporation, South Central Railways etc. Also, they



have tie-ups with brands like HP, Cisco, Microsoft, Red Hat, Oracle, Panasonic and exclusive Distributor in India for world leaders Crystal Group Inc (Rugged Servers, Workstations, Embedded Computers, Networking), Accumentrics Inc (Rugged Ups) and VT Miltope (Rugged Laptops) etc. for providing branded hardware and software services.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	37.39	32.11
EBITDA	₹ Cr	1.52	1.36
PAT	₹ Cr	0.47	0.37
TNW	₹ Cr	7.06	6.59
Total Debt/TNW	Times	0.84	1.20
Current Ratio	Times	1.38	1.45

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

RATING HISTORY

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	20-Sep-2019	19-Sep-2018	2017
1	Fund Based	Long Term	5.50	BWR BB+ (Stable) (Reaffirmed)	RNR	BWR BB+ (Stable)	NA
2	Non Fund Based	Short Term	7.00	BWR A4+ (Reaffirmed)	RNR	BWR A4+	NA
	Total		12.50	Rupees Twelve Crores and Fifty Lakhs Only			



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)
- [Short Term Debt](#)

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ANNEXURE I

Apoorva IT Solutions Pvt. Ltd. Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	Fund Based: Bank of Maharashtra	Cash Credit Cash Credit (Proposed)	4.00 1.50	-	5.50



2	Non Fund Based: Bank of Maharashtra	Letter of Credit Bank Guarantee Bank Guarantee (Proposed)	-	3.50 2.50 1.00	7.00
TOTAL					12.50

Rupees Twelve Crores and Fifty Lakhs Only

For print and digital media

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DISCLAIMER

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