

## Rating Report

### Brickwork Ratings assigns 'BWR BBB-' for the long-term Bank Loan Facilities and 'BWR A3' for the short-term Bank Loan Facilities of Ashtech Infotech Pvt, Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings<sup>1</sup>** of 'BWR BBB-' & 'BWR A3' for the Bank Loan Facilities of ₹ 10.67 Cr of Ashtech Infotech Pvt Ltd.

Facility	Existing Limits (₹ Cr)	Tenure	Rating <sup>1</sup>
<b>Fund Based (FB)</b>		<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced BWR Triple B Minus) <b>Outlook: Stable</b>
<b>Cash Credit*</b>	<b>6.00</b>		
<b>Term Loan</b>	<b>2.17</b>		
<b>Non Fund Based (NFB)</b>		<b>Short Term</b>	<b>BWR A3</b> (Pronounced BWR A Three)
<b>BG**</b>	<b>2.50</b>		
<b>Total</b>	<b>10.67</b>	<b>(INR Ten Crores and Sixty Seven Lakhs only)</b>	

*Sublimit: \*LC of ₹ 2.00 Crores; \*\* Off Balance Sheet Exposure ₹ 0.02 Crores*

BWR has principally relied upon the audited financial results up to FY13, provisional financials of FY14, projected financials, publicly available information and information/clarification provided by the company's management.

The rating has inter-alia factored the promoter's extensive experience in the system integration business, long operational track record, established market position, long standing relationship with reputed customer base, pre-order based nature of operation, above average financial risk profile and diversified base of customers. The rating is however constrained by highly fragmented nature of the industry and relatively modest scale of operation.

#### Company Background:

Ashtech Infotech Pvt Ltd (AIPL), incorporated in Nov 1993, is a system integrator in the IT industry. AIPL also offers other services such as Infrastructure management services, storage, security and recovery solutions and enterprise system management services. AIPL is generating revenue primary from its business of System Integration, FMS Services (Facility Management Services), Annual Maintenance Contracts and Sale of Support Packs. AIPL has a wholly owned subsidiary company registered in Singapore incorporated just to channelize the orders which enable its customers to avail the duty benefits. AIPL have wide ranges of reputed customer and supplier base. Some of its customers include ICICI Bank, HDFC Bank, IndusInd Bank, Citi Bank, BPCL, Blue Star, Axis Bank, HCL Infosystem etc. AIPL also have dedicated marketing team consisting of 20-25 member having pan-India presence.

#### Management:

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The company has experienced higher management where key departments of the company are managed by qualified professionals. Mr. Saurin Shah, a commerce graduate, is the Managing Director of the company and is having more than two decades of business experience. He is also the founder president and chairman of the 'Trade Association of Information Technology' and was on the board for consecutive ten years.

Mr. Shreyas Shah, a commerce graduate, is the other director of the company and is having more than three decades of business experience.

### **Financial Performance**

AIPL's revenue improved by approximately 11% to Rs 74.84 Crores in FY14 (provisional) from Rs 67.40 Crores in FY13. The overall growth in the net operating income is primarily driven by the revenue generated from its system integration business which amounts to approximately 63% of the overall revenue booked during FY14 (provisional). Total revenue generated during FY14 from System Integration business was Rs 46.54 Crores. Other businesses such as sale of support packs, FMS (facility management service) and Annual Maintenance Contract contributed another 30% of the total revenue. Furthermore, top five customers of AIPL amounts to only 29.79% of its overall sales reflecting diversified customer base.

Operating profit stood at Rs 3.20 Crores in FY14 (provisional) as against the operating profit of Rs 2.26 Crores in FY13 and Rs 1.87 Crores in FY12. Overall profit after tax of the firm stood at Rs 3.14 Crores in FY14 as against the PAT of Rs 1.72 Crores in FY13 and Rs 1.31 Crores in FY12.

Overall liquidity condition of AIPL remains moderate during FY14 (provisional). The operating cycle improved to 10 days from 22 days in FY13 and 42 days in FY12. This improvement is primarily attributed to improvement in the collection period and lower inventory days. AIPL enjoys the credit period ranging between 30-60 days from its suppliers while it extends the credit period up to 75 days to its customers. The average working capital limits utilization during the past twelve months ending July, 2014 has also remained low at 45.61% of the available working capital limit.

### **Above average financial risk profile**

AIPL's overall gearing ratio during FY14 (provisional) and FY13 stood well below 1.00 at 0.89 and 0.74 respectively. Total debt in AIPL during FY13 stood at Rs 7.78 Crores and Rs 11.50 Crores as per the provisional financials of FY14. This includes the unsecured loan of Rs 4.51 Crores in FY13 and Rs 3.49 Crores as per the provisional financials of FY14. However adjusted overall gearing of the company stood at 0.62 during FY14 (provisional) and 0.31 during FY13. Adjusted overall gearing is calculated by not considering the unsecured loan as debt. AIPL has healthy debt protection metrics. Interest Service Coverage Ratio (ISCR) of AIPL during FY14 (provisional) stood at 2.76 as against the ISCR of 2.57 during FY13 and 2.94 during FY12. Tangible Networth of AIPL has improved in FY14 (provisional) to Rs 12.89 Crores from Rs 10.57 Crores in FY13 on account of the retention of profit.

*Detail financials are presented in the annexures*

**Rating Outlook:**

AIPL has experienced promoters and diversified and reputed customer base. However, the firm has weak profitability indicators and moderate scale of operation. Going forward, the ability of the company to improve its profitability margin, revenue and maintain the revenue growth momentum are the key rating sensitivities.

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## Annexures: Key Financials

### Annex I: Income Statement of AIPL

<b>₹ Crores</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Result Type</b>	Audited	Audited	Audited
Gross Sales	37.03	16.95	24.86
Traded Goods Sales	0.00	35.09	41.68
Excise Duty/Sales Tax	0.00	0.00	0.00
<b>Net Sales</b>	<b>37.03</b>	<b>52.05</b>	<b>66.55</b>
Other Operating Income	13.03	0.43	0.85
<b>Total Operating Income</b>	<b>50.05</b>	<b>52.48</b>	<b>67.40</b>
<b>Operating Expenses</b>	<b>48.47</b>	<b>50.61</b>	<b>65.14</b>
<b>OPBDIT</b>	<b>1.58</b>	<b>1.87</b>	<b>2.26</b>
Depreciation/Amortization/Impairment	0.22	0.34	0.40
<b>OPBIT</b>	<b>1.36</b>	<b>1.53</b>	<b>1.87</b>
Interest and Finance Charges	0.45	0.64	0.88
<b>OPBT</b>	<b>0.91</b>	<b>0.90</b>	<b>0.98</b>
Non-Operating Income(Expenses)	0.30	1.01	1.31
<b>PBT</b>	<b>1.21</b>	<b>1.90</b>	<b>2.29</b>
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.00
Provision for Taxes	0.40	0.59	0.57
<b>PAT(Continuing Operations)</b>	<b>0.81</b>	<b>1.31</b>	<b>1.72</b>
PAT(Discontinuing Operations)	0.00	0.00	0.00
<b>PAT</b>	<b>0.81</b>	<b>1.31</b>	<b>1.72</b>

## Annexures: Key Financials

### Annex II: Balance Sheet of AIPL

<b>₹ Crores</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
<b>Liabilities</b>	Audited	Audited	Audited
<b>EQUITY AND RESERVES</b>	<b>8.51</b>	<b>9.34</b>	<b>10.58</b>
Share capital	0.82	0.82	0.82
Preference Share Capital/Quasi Equity	0.00	0.00	0.00
Share Application money Pending allotment	0.00	0.00	0.00
Reserves and Surplus	7.69	8.52	9.76
Revaluation Reserve	0.00	0.00	0.00
<b>Non-current liabilities</b>	<b>3.37</b>	<b>3.53</b>	<b>5.11</b>
Long-Term Borrowings	3.37	3.14	4.64
Other Long Term liabilities	0.00	0.32	0.35
Long-Term Provisions	0.00	0.06	0.12
<b>Current liabilities</b>	<b>8.49</b>	<b>10.12</b>	<b>11.38</b>
Short-Term Borrowings	1.95	1.84	2.07
Current Portion Of Long Term Debt	0.00	1.91	1.07
Trade Payables	4.25	5.08	6.67
Other Current Liabilities	1.82	0.88	1.04
Short-Term Provisions	0.48	0.41	0.52
<b>Total Liabilities</b>	<b>20.37</b>	<b>22.98</b>	<b>27.07</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1.28</b>	<b>9.62</b>	<b>15.27</b>
Net Fixed assets	0.59	1.47	1.26
Net Intangible assets	0.00	0.02	0.01
Non-Current Investments	0.63	0.72	0.83
Deferred Tax Assets (Net)	0.06	0.10	0.13
Long Term Loans and Advances	0.00	7.32	13.03
Long Term Trade Receivables	0.00	0.00	0.00
Other Non-Current Assets	0.00	0.01	0.00
<b>Current assets</b>	<b>19.09</b>	<b>13.36</b>	<b>11.80</b>
Current Investments	0.00	0.00	0.00
Inventories	3.24	2.84	1.90
Trade Receivables > Six Months	1.14	1.33	0.80
Trade Receivables < Six Months	7.08	7.56	7.95
Cash and Cash Equivalents	0.82	1.18	0.67
Short-Term Loans and Advances	6.66	0.43	0.46
Other Current Assets	0.15	0.01	0.02
<b>Total Assets</b>	<b>20.37</b>	<b>22.98</b>	<b>27.07</b>

**Annexures: Key Financials**

**Annex III: Key Financial Ratios of AIPL**

<b>Particulars</b>	<b>FY11 Audited</b>	<b>FY12 Audited</b>	<b>FY13 Audited</b>
Debt - Equity Ratio (Times)	0.63	0.74	0.74
Interest Coverage Ratio (Times)	3.49	2.94	2.57
Debt Service Coverage Ratio(Times)	3.28	2.04	1.08
Tangible Net Worth (₹ Crores)	8.51	9.32	10.57
Profitability Margin (%)	1.62%	2.50%	2.55%
ROCE (%)	9.90	10.25	10.87
Current Ratio (Times)	2.25	1.32	1.04