

Innovators Façade Systems Limited

October 23, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities – Cash Credit (CC)	31.37	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Positive (Triple B Minus; Outlook: Positive)
Short Term Bank Facilities – Letter of Credit (LC)	16.13 (enhanced from Rs.8.25 crore)	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Short Term Bank Facilities – Bank Guarantee	46.50 (enhanced from Rs.30.00 crore)	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Total	94.00 (Rs. Ninety four crore only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale& Key Rating Drivers

The revision in ratings assigned to the bank facilities of Innovators Façade Systems Limited (IFSL) factors in improvement in the financial risk profile of the company post fund infusion through Initial Public Offer (IPO) thereby improving the liquidity position. The ratings further continue to derive strength from long track record of IFSL in the façade fabrication business, reputed client base built over time with strong order book position, moderate debt coverage indicators.

However, the ratings' strengths are tempered by IFSL's improving though modest scale of operations, geographic and customer concentration risk, high working capital intensive nature of operations due to stretch receivables period and cyclicity in demand from the real estate industry.

The ability of the company to further improve its scale of operations while maintaining its profitability margins and efficiently manage its working capital requirements are the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced and resourceful promoters

IFSL is an Aluminium Facade contractor for designing, engineering, fabrication and installation of all types of facade systems. The company is headed by Mr. Radheshyam S. Sharma, who has about two decades of experience in the construction industry. IFSL has executed total orders of more than Rs.1100 crores since inception.

Reputed clientele and strong order book position

IFSL has completed projects primarily in Mumbai, Pune and Thane with reputed corporate clientele and airport projects across geographies. Over a period of time, IFSL had been able to increase its orders from the existing clientele and also added new corporates like Infosys, JW Marriot, Reliance Industries Ltd, etc. The current order book position as on 30th June 2018 stands at ~Rs. 187 crore providing revenue visibility for the next one year. The ability of the company to execute the order-book timely as well as generate cash flows as expected will be crucial from the credit perspective.

Moderate financial risk profile

IFSL has moderate debt coverage indicators and overall gearing ratio. The overall gearing ratio has improved from 1.94x times on 31st March 2017 to 1.21x times as on 31st March 2018; the same was on account of conversion of the interest free unsecured loan of Rs. 10.08 crore from promoters into equity and private placement of Rs.9.50 crore. The debt profile is dominated by working capital bank facilities on account of working capital intensive nature of business. The company has come up with an IPO in May 2018 and has raised ~Rs.41 crore from the primary market. Thus the capital structure is expected to improve significantly going forward and is expected to remain below unity. The debt service coverage indicators stands moderate with interest coverage ratio of around 2.59x during FY18 improved from 1.75x during FY17.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Key Rating Weaknesses

Moderate scale of operations; albeit consistent growth in total operating income and profitability

The net sales of IFSP have grown at a CAGR of 29.02% during FY16-18 to Rs.153.48 crore in FY18. In order to improve the scale of operations, the company has set up marketing offices at Delhi and Bangalore. The PBILDT margin of IFSL improved from 10.63% in FY17 to 14.57% in FY18 primarily on account of increase in the scale of operations. While earlier the company undertook subcontracting projects, it is now focusing on major projects undertaken as independent contracting work which provides better profitability margins.

Working capital intensive nature of operations leading to moderate liquidity

Company's operation is working capital intensive with high receivables and inventory days. This has led to moderate liquidity position. The total debtors (including retention money) outstanding have increased from Rs.50.19 crore as on March 31, 2017 to Rs.82.84 crore as on March 31, 2018. However, the risk of bad debts is low as the company deals with reputed corporate clientele. The average maximum fund based utilization was high at ~80% for the twelve months ended August 2018 and provides no major liquidity backup. Going forward, the utilization of part of IPO proceeds towards working capital is expected to ease the liquidity.

Customer concentration and geographical concentration risk

Majority of the contracts of IFSL are from Mumbai, Navi Mumbai, Thane and Delhi. The revenue from top three customers comprised around 40% of the total revenues for FY18. However, the client concentration is on account of nature of the industry where there are few large projects.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Innovators Facade Systems Limited (IFSL), incorporated in 1999, is an Aluminium Facade contractor for designing, engineering, fabrication and installation of all types of facade systems. The fabrication and glazing facility of the company is situated at Wada, Thane in Maharashtra spread over area of 1.25 lakh square feet. The state of the art fabrication and glazing facilities is situated at Wada, Thane - Mumbai in the state of Maharashtra. IFSL is headed by Mr. Radheshyam S. Sharma who has 18 years of experience in the construction industry.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	101.66	155.17
PBILDT	10.81	22.61
PAT	0.44	7.93
Overall gearing (times)*	1.94	1.21
Interest coverage (times)	1.75	2.59

A: Audited

*includes LC acceptances and advances from customers

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	31.37	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	46.50	CARE A3+
Non-fund-based - ST-Letter of credit	-	-	-	16.13	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (06-Apr-18)	-	1)CARE BBB-; Stable (22-Feb-17)	-
2.	Fund-based - LT-Cash Credit	LT	31.37	CARE BBB; Stable	1)CARE BBB-; Positive (02-May-18) 2)CARE BBB-; Positive (06-Apr-18)	-	1)CARE BBB-; Stable (22-Feb-17)	-
3.	Non-fund-based - ST-BG/LC	ST	-	-	1)Withdrawn (06-Apr-18)	-	1)CARE A3 (22-Feb-17)	-
4.	Non-fund-based - ST-Bank Guarantees	ST	46.50	CARE A3+	1)CARE A3 (02-May-18) 2)CARE A3 (06-Apr-18)	-	1)CARE A3 (22-Feb-17)	-
5.	Non-fund-based - ST-Letter of credit	ST	16.13	CARE A3+	1)CARE A3 (02-May-18) 2)CARE A3 (06-Apr-18)	-	1)CARE A3 (22-Feb-17)	-
6.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	1)Withdrawn (06-Apr-18)	-	1)CARE BBB-; Stable / CARE A3 (22-Feb-17)	-

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