Trimax IT Infrastructure Services Ltd

May 05, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Long-term Bank Facilities	863.40 (enhanced from 666.68)	**CARE A-; Negative (Single A; Outlook: Negative)**	**Reaffirmed**
Short-term Bank Facilities	650.28 (enhanced from 600)	**CARE A2 (A Two)**	**Reaffirmed**
Total	**1,513.68 (Rupees One Thousand Five Hundred Thirteen crore and Sixty Eight Lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Trimax IT Infrastructure & Services Ltd (Trimax) continue to draw strength from the long track record of the company in system integration and networking services, company's experienced promoters and management, diversified and large customer base, increased growth in operations over the years as well as healthy order book position.

The ratings however continue to be constrained by rising total debt levels (including acceptances) on account of ongoing government projects undertaken on BOOT model wherein initial capex investment is required but revenue accrues in subsequent years, moderate liquidity position resulting from Trimax's long receivable cycle due to its higher exposure to government entities as well as moderate debt coverage indicators on account of high repayment obligation in the medium term. The ratings also factor in prevalent high competition in the system integration segment, which is one of the segments in which Trimax operates. The ability of Trimax to maintain its debtors at optimal levels thereby reduce its dependence on its working capital borrowings amidst increasing revenues from the Government sector and its ability to successfully execute large government IT projects remain the key rating sensitivities.

Outlook: Negative

The Negative outlook factors in continuous rising total debt levels (including acceptances) on account of ongoing government projects undertaken on BOOT model wherein initial capex investment is required but revenue accrues in subsequent years, moderate liquidity position resulting from Trimax's long receivable cycle due to its higher exposure to government entities as well as moderate debt coverage indicators on account of high repayment obligation in the medium term. The ratings may be revised in case the Trimax's total debt (including acceptances) increases significantly from the current projected levels of around Rs 1,400 crore on account of lower than expected cash accruals or any further debt funded projects.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management: Mr Surya Prakash Madrecha, one of the promoters of Trimax drives the company's strategy and business development functions. Mr Chandra Prakash Madrecha another promoter manages the operations and finance functions. Both of these individual promoters have more than 20 years of experience in the IT industry having started Trimax in 1995. The company also has an experienced management team across a range of services and verticals including data centre services, cloud services, telecommunications, IT infrastructure and services, BFSI and transport.

Long track record in SI and IT services: Trimax has significant experience in the system integrations and managed IT services segments. Revenue from its SI segment has grown at a CAGR of 41% over the period FY13-FY16 and accounted for 90% of the company's total revenues during FY16. To support its operations, the company has a robust network of over 600 support centers located across India in addition to its 12 branches. Besides SI, Trimax also provides end-to-end IT infrastructure solutions based on different service delivery models, cloud computing, data center services, facility

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

management services, virtual private servers and web design and hosting and has also established a strategic relationship with BSNL for its Managed Enterprise Solutions (MES). Furthermore, the company has been accredited with an ISO 9001 and ISO 27001 certification which enhances its credibility during the bidding process for its various projects.

Large customer base through strategic tie-ups with leading players in IT industry: The company's large customer base continues to remain an inherent strength as the company derives revenues from these customers across various service segments. Trimax derives its strong and diversified customer base, through partnership with BSNL, CISCO, Bharti Airtel and ITI and also has major Government entities, public sector undertakings and other enterprises as its customers. Other key customers include a leading life insurance company, telecom, road transport companies, company engaged in supply and distribution of electricity, large and mid-sized national and private banks across India. Furthermore, Trimax has gained experience in handling various large-scale projects and on successful completion of the MSRTC (Maharashtra State Regional Transportation), RSRTC (Rajasthan State Regional Transportation and BEST (Mumbai City Transportation) projects, the company has been able to bag orders for similar projects from various other states.

Key Rating Weaknesses

Overall gearing deteriorates on account of higher working capital borrowings: The capital structure deteriorated in FY16, with overall gearing (including acceptances) at 1.51x as on March 31, 2016 as compared to 1.29x as on March 31, 2015. The increase in overall gearing was mainly on account increase in total debt on account of higher working capital borrowings and term debt for the road transportation and facility management businesses. Total debt is expected to increase further as Trimax is currently executing several large projects worth around Rs.1750 crore in its managed IT services business. These projects have front loaded capex which results in higher debt levels for the company and timing mismatch on account of debt repayment starting relatively early and revenue accruals being back ended. Timely execution of the same remains a key rating sensitivity.

Receivable cycle continues to remain elongated mainly on account of nature of the business and clientele: The company's average collection period declined to 137 days in FY16 from 130 days in FY15 and remains elongated. Presently, the company derives around 30-40% of its total revenues from Public Sector Undertaking leading to longer collection period. Stretched receivables cycle has moderated Trimax's liquidity position and necessitated higher requirement of working capital. The company's average utilization of working capital related bank borrowings remained high at about 93% during the twelve month period ended Jan 31, 2017. Furthermore, Government projects are largely awarded through competitive bidding and tendering process, wherein margins could come under pressure as a result of competitive bidding. The credit risk profile of Trimax remains sensitive to the company's management of its working capital, including timely realisation of receivables.

Robust growth in top-line in FY16, higher interest cost keep PAT margins under pressure: Trimax's FY16 total income grew by 12.67% y-o-y to Rs. 1,981 crore as compared to Rs.1,758 crore in FY15. This growth was mainly on account of robust growth in other IT segment (which registered a y-o-y growth of 23.52% in FY16), growth in SI segment was lower at 10.63%. Company's profitability margin improved with PBILDT margin at 18% in FY16 as compared to 16.58% in FY15 (mainly on account of lower cost of goods purchased (74.80% in FY16 as compared to 75.73% in FY15)). However, the PAT margin has fallen to 4.95% in FY16 from 5.05% in FY13 with increased interest expenses with additional borrowings to fund working capital requirement and various projects entered by the company.

Analytical approach: Consolidated

For arriving at the ratings, CARE has combined the business and financial risk profiles of Trimax and its 100% subsidiary Trimax Datacenter Services Ltd (TDSL), as both the companies have significant operational linkages and are under a common management. Furthermore, Trimax has granted a corporate guarantee for the bank facilities availed by TDSL.

Applicable Criteria
Rating Methodology - Service Sector Companies
Financial ratios – Non-Financial Sector
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings

[Criteria for Short Term Instruments]

About the Company

Trimax IT Infrastructure & Services Ltd. (Trimax), incorporated in 1995, is engaged in the business of implementing solutions for System Integration (SI), networking services, software development services, Information Technology (IT) services including facility management, annual maintenance and remote infrastructure management. In FY08, the company moved away from the sub-contracting model and commenced implementing IT infrastructure projects on its own on Build-Own-Operate-and-Transfer (BOOT) basis. Thus, the company now provides comprehensive infrastructure assessment and consulting, implementation and migration, project and program management, security and support services. Headquartered in Mumbai, it has presence in USA, Europe, Middle East, China and Singapore through its representative offices. Trimax also operates a data centre in Navi Mumbai. System Integration (SI) business contributed to 78% of the total income of the company in FY16.

During FY16, the company reported consolidated total income of Rs.1,981 crore and consolidated net profit of Rs.98 crore as compared with total income of Rs.1,758 crore and net profit of Rs.89 crore crore in FY15.

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	650.28	CARE A2
Fund-based - LT-Cash Credit	-	-	-	370.00	CARE A-; Negative
Fund-based - LT-Term Loan	-	-	April 2024	493.40	CARE A-; Negative

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-BG/LC	ST	650.28	CARE A2	-	-	1)CARE A2 (18-Jan-16) 2)CARE A2 (22-Dec-15)	1)CARE A2 (04-Mar-15)
2.	Fund-based - LT-Cash Credit	LT	370.00	CARE A-; Negative	-	-	1)CARE A- (18-Jan-16) 2)CARE A- (22-Dec-15)	1)CARE A- (04-Mar-15)
3.	Fund-based - LT-Term Loan	LT	493.40	CARE A-; Negative	-	-	1)CARE A- (18-Jan-16) 2)CARE A- (22-Dec-15)	1)CARE A- (04-Mar-15)

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