

Amnex Infotechnologies Private Limited

August 11, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	25.50	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Assigned
Short-term Bank Facilities	17.50	CARE A3 [A Three]	Assigned
Long-term/Short-term Bank Facilities	67.00	CARE BBB-; Stable / CARE A3 [Triple B Minus; Outlook: Stable / A Three]	Assigned
Total facilities	110.00 (Rs. One hundred ten crore only)		

Details of facilities in Annexure – 1

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities of Amnex Infotechnologies Private Limited (AIPL) derive strength from its well qualified and experienced management, established track record of operations along with various accreditations, solution offerings to wide range of sectors along with established relations with reputed clientele albeit exposed to client concentration risk to some extent. The ratings also derive strength from strong financial risk profile of AIPL marked by healthy profitability, comfortable capital structure and debt coverage indicators.

The above rating strengths are constrained by moderate scale of operations along with moderate order book position, working capital intensive nature of operations marked by high collection period albeit with strong credit profile of customers and intensely competitive nature of IT industry. CARE expects working capital intensity to increase given current challenging and uncertain economic scenario and government priorities concentrated to contain spread of Covid-19 pandemic along with management's plans to increase scale of operations during FY21.

Rating Sensitivities

Positive Factors

- Significant improvement in scale of operations with TOI of Rs.250 crore while maintaining PBILDT margin of 30% on sustained basis
- Sustained decline in receivables resulting in improvement in operating cycle to less than 60 days

Negative Factors

- Decline in operating profitability to 25%
- Decline in scale of operations to less than Rs.100 crore
- Inability in reduction of debtors days below 250 days
- Any large debt funded capex/acquisition resulting in increase in overall gearing beyond 0.5x

Detailed description of the key rating drivers

Key rating strengths

Long track record of operations with well qualified and experienced promoters

Founded by two technocrats, Mr. Aditya Shah and Mr. Tapan Gosaliya in 2008, Amnex Infotechnologies Private Limited (AIPL) has track record of over 12 years of operations. AIPL was earlier engaged in providing solutions related to Radio Frequency Identification (RFID) and later expanded into Global Positioning System (GPS) and Geographical Information System (GIS) offering products such as smart mobility, mining, inventory management and warehousing solutions along with supply chain management. From 2014, AIPL has diversified into technologies like Internet of Things (IoT), Artificial Intelligence, Machine Learning, Cloud computing and remote sensing providing a range of solutions. Mr. Aditya Shah, Founder and MD of AIPL, an engineer and MBA graduate with over 15 years of experience overlooks alliance and strategic relationships/ opportunities for AIPL along with day to day operations. Mr. Tapan Gosaliya, Co-founder, an MBA graduate with over 15 years of experience into IoT, AI and allied segments is the Director of Innovation at AIPL. The promoters are well supported by an experienced and well-qualified management and technical team.

Wide range of offerings over diversified sectors with various accreditations

AIPL offers various solutions for creating smarter systems through automation and data science into business processes involving data collection through various routes like satellite images, GIS, IoT, remote sensing, LiDAR and RFID, data

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

preparation and processing alongwith presentation through various dashboards. AIPL offers solutions across a diversified range of sectors like agriculture, mining, logistics, dairy, architecture, smart city solutions, port operations, energy utilities, traffic and parking management along with digital payment solutions. Over the years, AIPL has achieved expertise in collection of geo-spatial data and has expanded its offerings portfolio from an Original Equipment Manufacturer (OEM) software vendor to an end-to-end solution provider. AIPL has also received various accreditations like Innovation in Big Data, Best AI product, Deloitte Fast APAC Tech awards and many other awards over years showcasing its advantage in IT industry.

Established relations with reputed clientele albeit with moderate client concentration risk

Over the years, AIPL has established good relations with its customers, which has helped to generate repeat orders from these customers. AIPL's clientele include reputed entities like National Highways Authority of India (NHAI; rated CARE AAA; Stable), Larsen & Toubro Limited (rated CARE AAA; Stable), Adani Ports and Special Economic Zone (APSEZ; rated CARE AA+; Stable), Banaskantha District Co-op Milk Producers Union Ltd along with various central/state government bodies having strong credit profile. AIPL is also the first official technology partner of Hitachi Solutions GIS in India for GIS systems in India. AIPL has also worked with Master System Integrators (MSIs) like Tech Mahindra Limited (rated CARE AAA; Stable) and Hitachi MGRM Net Ltd for smart city projects. AIPL's faces client concentration risk with top five customers contributing around 60% of its revenue in FY20 which is partially mitigated owing to good client relations resulting in repeat business.

Healthy financial risk profile with healthy profitability, comfortable capital structure and debt coverage indicators

AIPL has strong financial risk profile marked by healthy profitability, comfortable capital structure as well as strong debt coverage indicators. AIPL's PBILD margin has remained healthy at over 30% for past four years ended FY20. The capital structure of AIPL is comfortable with overall gearing of 0.18x as on March 31, 2020 with lower reliance on external debt.

Key rating weaknesses

Moderate scale of operations

Till FY14, its scale of operations remained small with focus of management on technologies like RFID, GPS and GIS. However, from FY15, AIPL expanded its portfolio of offerings with inclusion of IoT, Machine Learning, Big Data, AI technologies offering a host of solutions across sectors. However, AIPL has mid-scale operations with revenue of Rs.121 crore during FY20. AIPL's registered y-o-y decline of around 16.5% largely on account of lower execution during the year and disruption caused by lockdown imposed due to Covid-19 pandemic in the month of March 2020. As per management articulation, AIPL's expects business operations to return to normalcy from Q2FY21 mitigating the impact of Covid-19 lockdown to significant extent.

Moderate order book position

As on June 30, 2020, AIPL had a moderate order book position of Rs.166.99 crore which is largely to be executed in FY21 and FY22. The company's order book to sales ratio stood at 1.37x based on FY20 revenue. AIPL's order book was dominated by Transport and Mobility segment contributing around 60% of outstanding order book followed by 17% from Urban Solutions segment. Further, AIPL also envisages additional AMC contracts and renewals as repeat business from clients aiding its revenue visibility. With the present order book and maintenance contracts the revenue visibility is expected to remain moderate.

High working capital intensity operations with expected increase in near term

AIPL's operations are highly working capital intensive due to receivables from government organizations (smart city and state transport undertakings) along with contracts with multiple Master System Integrators (MSIs) (which have back to back payment terms with their clients; largely government) leading to higher collection period. Further, AIPL's billing cycle is also skewed with higher proportion of revenue booking in quarter ends especially Q4 leading to stretched collection period. Average collection period stood stretched to 360 days in FY20 from 224 days in FY19 despite decline in revenue in FY20. The working capital intensity is expected to increase given current challenging and uncertain economic scenario and government priorities concentrated to contain the spread of Covid-19 pandemic along with management plans for increasing its scale of operations during FY21.

Intensely competitive nature of Indian IT Industry

The Indian IT industry is intensely competitive with existing companies as well as new companies trying to create a niche for them and the industry is very susceptible to changes/emergence of newer technologies. Majority of contracts for large projects like smart cities are awarded by central and state government bodies through tender process which are milestone based resulting in high working capital needs of players. Indian IT industry is also susceptible to changes in domestic and global political environment along with changes in regulatory environment.

Liquidity: Adequate

Liquidity of AIPL is marked by strong accruals against very low repayment obligations. Fund based utilization and non-fund based utilization remained moderate at 61% and 70% respectively for the past twelve months ended May 2020. AIPL had cash and bank balance of Rs.0.44 crore as on March 31, 2020 and has unutilized fund based limits of Rs.8 crore as on May 31, 2020 providing additional liquidity cushion. AIPL's operating cycle remained elongated at 280 days in FY20 (163 days in FY19) largely on account of high collection period. Although the receivables have historically remained high, realization is not a challenge given strong credit profile of customers indicating low credit risk. During the months of April and May 2020, AIPL has realized debtors of Rs.15.46 crore owing to good relations with clients providing liquidity to AIPL.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology- Service Sector Companies](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Ahmedabad based Infinium Solutionz Private Limited was incorporated on January 1, 2008 which was later changed to Amnex Infotechnologies Private Limited (AIPL) in January 2018. AIPL is promoted by technocrats Mr. Aditya Shah and Mr. Tapan Gosaliya along with Ms. Aneri Patel. Starting with only RFID technology, AIPL is now engaged into providing IT hardware and software services using technologies like Geographical Information Systems (GIS), RFID, IoT, Artificial Intelligence, Big Data, Machine Learning etc. across a diverse range of sectors like Smart City, Agriculture, Mining, Ports and Logistics, Dairy, Oil and Gas and Manufacturing (IoT). AIPL has received various awards for its work in Crop Area and Loss Estimation, Intelligent Transit Management System, Smart City and GIS segments from various authorities.

(Rs. Crore)

Brief Financials	FY19 (A)	FY20 (Prov.)
Total Operating Income	146.00	121.82
PBILDT	54.75	36.88
PAT	33.66	19.79
Interest coverage (times)	23.11	8.37
Overall Gearing (times)	0.24	0.18

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

Annexure-1: Details of Facilities

Name of the Bank Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-BG/LC	-	-	-	67.00	CARE BBB-; Stable / CARE A3
Fund-based - LT-Term Loan	-	-	September 2024	8.50	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	17.00	CARE BBB-; Stable
Fund-based - ST-Bank Overdraft	-	-	-	17.50	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ST-BG/LC	LT/ST	67.00	CARE BBB-; Stable / CARE A3	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	8.50	CARE BBB-; Stable	-	-	-	-
3.	Fund-based - LT-Cash Credit	LT	17.00	CARE BBB-; Stable	-	-	-	-
4.	Fund-based - ST-Bank Overdraft	ST	17.50	CARE A3	-	-	-	-

Annexure -3: Complexity level for various rated instruments for this company

Sr. No.	Name of the Facility	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Bank Overdraft	Simple
4.	Non-fund-based - LT/ ST-BG/LC	Simple

Other covenants are covered in the detailed description of the key rating drivers section

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.

Contact us

Media Contact

Mradul Mishra

Contact no. - +91-22-6837 4424

Email ID - mradul.mishra@careratings.com

Analyst Contact

Naresh M. Golani

Contact no. - +91-9825139613

Email ID – naresh.golani@careratings.com

Relationship Contact

Deepak Prajapati

Contact no. - 079 – 4026 5656

Email ID – deepak.prajapati@careratings.com

About CARE Ratings:

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