Raminfo Limited

December 29, 2017

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	4.00	CARE BB; Stable (Double B; Outlook Stable)	Assigned
Short term Bank Facilities	15.00	CARE A4 (A Four)	Assigned
Total	**19.00 (Rupees Nineteen Crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Raminfo Limited (RIL) are tempered by the small scale of operations with fluctuating total operating income and working capital intensive nature of operations. The ratings, are however, underpinned by the long track of the company with experienced promoters for more than one decades in IT industry, comfortable capital structure and debt coverage indicators, long-term revenue visibility from current order book position, satisfactory profitability margins though fluctuating year-on-year, and well established customer relationship with majority of public sector undertakings.

Going forward, the company's ability to increase its scale of operations and improve profitability margins and execute the projects in timely manner are the key rating sensitivity.

Detailed Description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with fluctuating total operating income

RIL was incorporated in the year 1994; despite of the log track of the company, scale of operations of the company are relatively small as compared to other peers in the industry marked by total operating income (TOI) of Rs. 20.61 crore in FY17 with networth of Rs. 8.65 crore as on March 31, 2017. Furthermore, the total operating income of the company has been fluctuating during review period FY15-FY17, TOI has increased from Rs. 12.94 crore in FY15 to Rs. 22.78 crore in FY16 with increased amount of export service revenues of the company (like software development). However, TOI decreased marginally to Rs. 20.61 crore in FY17 at the back of reduced amount of domestic revenues of the company during FY17.

Working capital intensive nature of operations

The operating cycle of the company remained moderate and improving year on year from 76 days in FY15 to 64 days in FY17 mainly due to increasing average creditors' days offsetting increasing average collection period. The company outsources the manpower in order to optimize the overheads; hence the payments are made to them depending on the realisation of payment from debtors. Furthermore, the average collection days increased from 114 days in FY16 to 171 days in FY17 since ~44% of the revenue comes from government organization where the realisation gets stretched since clearance of bills has to undergo various departments. Apart, the company receives the payment within 45-60 days from

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

the private companies. The unsecured loans of the company increased from Rs. 0.32 Crore as on March 31, 2016 to Rs. 1.96 crore as on March 31, 2017 in order to meet the working capital requirement. The average utilization of cash credit facility was around 70% for the last 12 months ended September 30, 2017.

Key rating strength

Long track record of the company with experienced promoters for more than one decades in IT industry

RIL was incorporated in the year 1994 by Mr. Srinath Reddy who is a qualified post graduate (MBA) from ISB with highly accomplished technology professional with 17 years of work experience in enterprise building, mergers & acquisition of global organizations. Mr Srinath Reddy worked with McKinsey & Company, a premier global management consulting company for 10+ years in USA. He also worked as Center Head – Hyderabad Offshore Delivery Center and worked as executive vice president as operations and strategy at Bodh Tree Consulting Limited. Mr. PS Raman is a chartered accountant and has around 18 years of post-qualification experience in various industries such as paints, petroleum and information technology in India and abroad, prior to becoming an entrepreneur when he became a founder promoter of RIL in 1995-96. Mr. Raman worked for AT & T Global Systems (formerly NCR Corporation, a US Multinational computer company) in one of the key positions of the company.

Comfortable capital structure and debt coverage indicators

The company had comfortable capital structure during the review period at the back of low debt profile and higher amount of tangible networth. Debt equity ratio of the company is seen improving y-o-y from 0.03x as on March 31, 2015 to 0.01x as on March 31, 2017 with scheduled repayment of vehicle loans coupled with increased level of net worth of the company due to year-on-year accretion of profits. Further, overall gearing ratio of the company also stood comfortable at 0.23x as on March 31, 2017 due to factors mentioned above and low short-term borrowings.

The company has comfortable debt coverage indicators during review period FY15-FY17. TD/GCA and interest coverage ratio stood comfortable at 1.17x and 6.05x in FY17 due to satisfactory profitability margins and cash accruals along with low debt levels.

Long-term revenue visibility from current order book position

The company has an order book of Rs. 279.03 crore as on October 14, 2017 which translates to 13.53x of total operating income of FY17 and the same is likely to be completed by FY23 reflecting long term revenue visibility. The said order book of the company is related to providing IT services to various government and private establishments.

Well established customer relationship with major Public Sector Undertakings (PSUs)

The customer base of RIL is well established as the promoters have been in this line of business for more than a decade, as a result of which, it developed good contacts with the major clients in the industry. The customer base of RIL consists of well-established PSUs like Esuvidha, Uttar Pradesh, NTPC etc. The company has established good contacts with its customers and is also referred as preferred service vendor for execution of e-governance projects. Some of the other major customers of the company include Vizag port Trust, banking & societies etc.

Satisfactory profitability margins though fluctuating year-on-year

The profitability margins of the company have been satisfactory during review period. However, the PBILDT margin of the company fluctuated in the range of 6.55-13.51% during the review period majorly due to nature of business i.e. software development and consulting as margins with-held in the business differs from project to project and client to client. Further, the PAT margin of the company was also fluctuating in the range of 4.22%-8.96% during FY15-FY17 due to fluctuating PBILDT coupled with increasing depreciation provision during the review year.

Analytical approach: Consolidated

Applicable criteria:
[Criteria on assigning Outlook to Credit ratings]
[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]
[Rating Methodology - Infrastructure Sector Ratings]
[Criteria for Short Term Instruments]

About the company

Ram Informatics Limited is a Hyderabad (Telangana) based company which was incorporated in the year 1994 by Mr. Srinath Reddy (Managing Director), Mr. PS Raman (Director), Mr. Jagadeeswar Rao. Subsequently, the name of the company was changed to Raminfo Limited (RIL) on September 22, 2014 and listed on Bombay Stock Exchange (BSE). RIL is engaged in software development and IT services providing end to end solutions and products and services to government, banking, exports, tourism, cooperatives and corporate sectors. RIL is a CMMI level 3, ISO 9001:2008 and ISO/IEC 27001:2013 certified company.

The company is a pioneer in E-Governance projects like E-Seva project in Andhra Pradesh, Mee-Seva in AP & Telangana, Bangalore-one and Karnataka-one in Karnataka and other services like internet, banks, ATM's and kiosks, online payments like utility bills like electricity, municipal and telephone covering 23 districts and 229 municipalities in AP & Telangana across 600+ centers.

Services/projects undertaken by the company is provided as below:

Government

RMI with over 20 years of implementation and execution experience undertakes various state government offering to Government to government (G2G), Government to business (G2B), Government to customer (G2C) and Government to Enterprises (G2E) solutions under various execution models like Design-Build (DB), Build-Own-Operate-Transfer (B-O-O-T) and Operation and Maintenance Contact (O-M-C). The company won Namma Bangalore Award 2013, The Manthan Award, CSI-Nihilent eGoverance Award by recognition from the Prime Minister of India, Dr. Manmohan Singh.

Banking

The company also caters to banking service solutions; the company's products to core Banking products Suite called Smart Banker. The product is a completely web-based and centralized product platform for corporate and retail banking automation like Financial Markets, Commercial Banking, Consumer Banking, Governance Risk and Compliance (GRC), and Insurance.

Apart from the government and banking based solutions and products, the company also caters to tourism, logistics, defense and other sectors providing software products, platforms and applications to the same.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	22.78	20.61
PBILDT	1.49	2.12
PAT	0.96	1.16
Overall gearing (times)	0.21	0.23
Interest coverage (times)	4.66	6.05

A: Audited

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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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
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	1.00	CARE A4
Non-fund-based - ST-Bank Guarantees	-	-	-	14.00	CARE A4

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.	Fund-based - LT-Cash Credit	LT	4.00	CARE BB; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A4	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	14.00	CARE A4	-	-	-	-

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