January 07, 2022

Ibus Network & Infrastructure Private Limited: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	NA	[ICRA]BBB- (Stable); Assigned
Total	**NA**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned rating factors in Ibus Network & Infrastructure Private Limited's (INIPL) healthy growth in scale of operations in the in-building solutions (IBS) segment, especially after the acquisition of Ubico Networks Private Limited (UNPL) and expectation of favourable long-term business prospects, driven by buoyant data and connectivity requirements. ICRA notes that the company has strong presence at some of the major office and commercial establishments, along with extensive relationship with reputed developers like RMZ, Prestige Group, Salarpuria Group, etc. The rating derives comfort from the inherent business strength, as infrastructure remains the backbone for the telecom services industry. The business model of the infrastructure providers translates into stable cash flow generation from the existing customers, given the lock-ins, committed rentals and exit penalties. This has led to a healthy financial profile for the company, as indicated by its robust profitability and adequate cash flow generation.

The ratings, however, remain constrained by the relatively moderate scale and capital-intensive nature of operations, necessitating constant investment in network expansion of the sites base. INIPL is expected to incur debt-funded capex, going forward, to expand its presence and add more sites. However, the same is not likely to impact its credit profile materially. UNPL witnessed some elongation of receivable levels, which has stretched the company's working capital cycle. Any further stretch in the receivables cycle can impact its liquidity position.

Overall, the risk and concerns emanate from the stress in the telecom industry (which is the sole customer). Nevertheless, the business derives strength from the inherently high client stickiness, given the challenges in network reorganisation as well as the master service agreements (MSAs) with the telcos.

ICRA notes that INIPL acquired UNPL for a consideration of around Rs. 100 crore, which was entirely funded by equity infusion from North Haven India Infrastructure Fund (NHIIF, Morgan Stanley India Infrastructure). NHIIF has long term plans of growth for INIPL by expanding in the existing business as well as new segments, including acquisitions, which will require debt funding and will remain the key monitorable. Further, with the said transaction, the company's shareholding pattern has gotten fragmented with the dilution of the holding of the original promoters.

The Stable outlook reflects that INIPL will continue to benefit from the favourable demand prospects, given the healthy data requirements, need for better connectivity and its strong presence at some of the sites, which have healthy revenue potential.

Key rating drivers and their description

Credit strengths

Inherent business strength and long-term growth potential – The business has inherent strengths of high client stickiness given the five to seven-year MSAs with the telcos, offering revenue visibility and exit penalties, annual rental escalation, and timely payments from tenants. Further, the infrastructure industry remains critical for the telecom service provider industry. With likely network expansion by the strong telcos, especially for data services, healthy demand is expected in the long run.

Exit penalties and lock-ins in MSAs provide revenue cushion – The MSAs signed between telcos and infrastructure providers have lock-ins, which provide committed revenue visibility over the lock-in period. The average committed lock-in period for the company is adequate as of now, indicating healthy revenue visibility. Moreover, there are exit penalties too, which cover for revenue loss on account of tenancy exits. Furthermore, the payback period is lower vis-à-vis the contract with telcos.

Comfortable debt coverage metrics – As on March 31, 2021, the debt on the company's books was low, translating into a strong capital structure and healthy debt coverage metrics. Going forward, with the estimated capex, the capital structure is expected to remain comfortable. However, ICRA will monitor the credit profile in case of a sizeable debt-funded acquisition.

Credit challenges

Moderate scale of operations – The company added a lot of sites especially after UNPL's acquisition, which resulted in healthy growth in turnover in the current fiscal. However, its scale of operations remains moderate, though growth is expected going forward. Moreover, unlike other large-scale infrastructure players from the telecom lineage, INIPL remains a smaller player.

Elongation of receivable cycle – Increased competition in the telecom industry impacted the financial position of the telco. This was aggravated by the Supreme Court's order mandating the telcos to pay sizeable AGR dues, which exerted pressure on the credit profile of the industry. The same was accompanied by stretching of receivables for the infrastructure industry. While the recently announced relief package, along with the tariff hikes announced by the telcos, have the potential to improve the industry dynamics, any elongation in receivables cannot be ruled out. UNPL witnessed some elongation of receivables, which has led to a stretch in the working capital cycle to some extent.

Liquidity position: Adequate

The company had cash and equivalents of around Rs. 21 crore as of September end, which was largely on account of the investable surplus arising out of the NHIIF deal. The cash accruals are likely to remain healthy, which in light of moderate debt repayment commitments and anticipated capex is expected to result in an adequate liquidity position of the company.

Rating sensitivities

Positive factors – The ratings can be upgraded if the entity demonstrates consistent and strong growth in turnover, while maintaining the healthy profitability, along with sustenance of the debt protection metrics.

Negative factors – The ratings can be downgraded in case of decline in revenue or material decline in profitability. Further, sizeable debt funded capex/acquisitions and/or sizeable dividends/upstreaming of funds to the shareholders, materially impacting the liquidity position and credit metrics of the company can lead to ratings downgrade. Specific credit metrics that can lead to rating revision include TOL/TNW more than 2.0x on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	Consolidated

About the company

iBus Network and Infrastructure Pvt Ltd. commenced its operations in 2013 and the company has its registered office in Bangalore. The company is engaged in the Telecom Infrastructure business providing indoor connectivity to telecom operators. The company builds, owns and maintains the indoor infrastructure and gains access rights by entering into multi-year agreements with large tech parks, corporates, malls, hospitals, and hotels and provide the service to telecom companies and retail customers on a shared basis and thus resolving connectivity concerns. In April 2021, the company acquired Ubico Networks Private Limited and the same was funded by equity infusion from North Haven India Infrastructure Fund. Ibus has a geographical presence across 30 cities and metros with a wide coverage of over 600 million square feet area.

Key financial indicators (audited)

INIPL Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	29.3	35.4
PAT (Rs. crore)	3.9	0.7
OPBDIT/OI (%)	30.4%	16.3%
PAT/OI (%)	13.5%	1.9%
Total Outside Liabilities/Tangible Net Worth (times)	2.13	0.97
Total Debt/OPBDIT (times)	2.54	1.74
Interest Coverage (times)	5.04	4.81

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
Note: Amount in Rs. crore; All calculations are as per ICRA research
Source: INIPL, ICRA research

Status of non-cooperation with previous CRA:

Crisil, in its rationale published on October 20, 2020 for Ibus Network & Infrastructure Private Limited, revised the ratings to Crisil B/Stable ISSUER NOT COOPERATING from Crisil BB/ Stable ISSUER NOT COOPERATING, and mentioned the following:

Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of INIPL, which restricts CRISIL's ability to take a forward-looking view on the entity's credit quality. CRISIL believes that rating action on INIPL is consistent with 'Assessing Information Adequacy Risk'. Based on the last available information, the ratings on bank facilities of INIPL Revised to 'CRISIL B/Stable Issuer Not Cooperating' from 'CRISIL BB/Stable Issuer Not Cooperating'.

Acuite, in its rationale published on December 09, 2021 for Ibus Network & Infrastructure Private Limited, reaffirmed the rating at Acuite B+, ISSUER NOT COOPERATING, and mentioned the following:

Acuité has been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer/borrower failed to submit such information before the due date. This rating continues to be flagged as “Issuer not-cooperating”, in line with prevailing SEBI regulations and Acuité’s policies.

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Jan 07, 2022	-	-	-
1	Issuer Rating	Long-term	NA	NA	**[ICRA]BBB- (Stable)**	NA	NA	NA

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer Rating	NA	NA	NA	NA	[ICRA]BBB- (Stable)

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ibus Technologies Private Limited	100%	Full
Ibus Virtual Network Services Private Limited	100%	Full
Ubico Networks Private Limited*	100%	Full

** This has been acquired in the current fiscal*

Source: *INIPL*

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Ankit Jain
+91 124 4545 865
ankit.jain@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches