June 25, 2024

Ivalue Infosolutions Pvt Ltd: Long-term rating upgraded to [ICRA]A (Stable); Short-term rating reaffirmed at [ICRA]A2+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based – Cash Credit	80.00	80.00	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable)
Short Term – Non-fund based	10.00	10.00	[ICRA]A2+; reaffirmed
Short Term – Non-fund based - Interchangeable	(60.00)	(60.00)	[ICRA]A2+; reaffirmed
Long Term/Short Term – Unallocated	6.00	6.00	[ICRA]A (Stable); Upgraded from [ICRA]A- (Stable)/[ICRA]A2+ reaffirmed
Total	**96.00**	**96.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in the long-term rating outstanding on the bank lines of Ivalue Infosolutions Pvt Ltd ('IIPL' / 'the company') reflects the consistent improvement in its scale, earnings and cash flows in the last few years and ICRA's expectation that the financial performance would sustain going forward as well. IIPL's revenues grew to Rs. 2,141.2 crore in FY2024[1] from Rs. 942.4 crore in FY2021 at a CAGR of 31.5%, supported by increasing digitisation, healthy demand for cyber security, cloud computing, data storage, etc., repeat orders, and addition of new original equipment manufacturers (OEMs). The healthy business outlook stemming from end-consumers increasingly strengthening their technological capabilities, IIPL's diversified product offerings and its value additive services are likely to support revenues and margins, going forward. The company has been net debt negative since FY2020, and its working capital utilisation was moderate at 50% of the sanctioned limits during the period April 2023 to March 2024. The company's coverage metrics are expected to remain healthy over the medium term, given its minimal maintenance capex plans over the next three years.

The ratings are, however, constrained by the working capital-intensive nature of business and low margins. The company's debtor days and creditor days were high as on March 31, 2024[1] at 117 days and 105 days respectively and its Total Outside Liabilities to tangible net worth (TOL/TNW) stood at 1.8 times as on March 31, 2024, albeit significant improvement from FY2023 levels. Further, the margins in the distribution and trading businesses are inherently low and, therefore, the company's operating margins have remained modest at 4.5-5.5% over the years (5.2% for FY2024). However, IIPL provides value-addition in the form of consulting services to system integrators and end customers, resulting in higher realisations and margins compared to pure play IT hardware distributors. While the company is working on increasing the revenue share from the margin accretive segments within its offerings, the operating margins are expected to be range bound given the nature of business. IIPL has high supplier concentration as well, with ~40% of its revenues generated by the distribution of products from three OEMs. The company is open to acquiring similar entities in the IT distribution space. The impact of these on the company's credit profile would be evaluated on a case-by-case basis.

The stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by its healthy cash accruals and debt metrics, adequate liquidity position and minimal capex plans.

[1] As per unaudited financials

Key rating drivers and their description

Credit strengths

Healthy revenue growth in the last three years; favourable demand outlook – Expansion in customer base across industry segments including banking, financial services and insurance (BFSI), enterprises and Government business, repeat orders from system integrators and addition of new vendors/OEMs have enabled IIPL's sustained revenue growth over the years. IIPL's revenues grew to Rs. 2,141.2 crore in FY2024 from Rs. 942.4 crore in FY2021, at a 3-year CAGR of 31.5%. While IIPL's scale of operations is relatively moderate compared to other established players, the demand outlook over the medium term remains healthy with more enterprises strengthening their technological capabilities. Further, the company has added over 30 new OEMs in the last few years, which has boosted its product offering and would help better capitalise on the demand from system integrators. In addition, the company has ventured into new geographies such as Sri Lanka, Bangladesh and Singapore as a part of its business expansion plans. Accordingly, IIPL is expected to post stable revenue growth over the medium term.

Healthy coverage metrics – With the business not being capex intensive, the company has negligible long-term debt and its borrowings are restricted only to working capital requirements. Further, its unencumbered cash and bank balances as on March 31, 2024[2] was at Rs. 130.8 crore and has remained over Rs. 60.0 crore consistently since FY2020, following the fund infusion by private equity (PE) investors. Accordingly, the company has been net debt negative since FY2020, and its working capital utilisation has been moderate at 50% of the sanctioned limits for the period April 2023 to March 2024. The company's coverage metrics are expected to remain healthy over the medium term, given its minimal maintenance capex plans over the next three years. However, the impact of business acquisitions, if any, on its credit profile and coverage metrics would be evaluated on a case-by-case basis.

Diversified product profile– IIPL distributes over 300 products including cyber security systems, network and application performance monitoring solutions, unified storage solutions, network integration solutions, etc, which are bundled as a package that involves hardware, software and service components. While the hardware products generate around 30% of revenues, software and services constitute the reaming 70%. Moreover, unlike pure play distributors, IIPL also works with systems integrators/end-customers to provide consulting services for setting up the required networking, storage and security infrastructure, providing a competitive edge. The value of the consulting service is built into the pricing, thereby resulting in higher realisations and margins.

Credit challenges

Relatively low margins; high debtor and creditor days – IIPL's business remains working capital intensive, inherent to the distribution nature of business. The company's debtor days and creditor days were high as on March 31, 2024 at 117 days and 105 days respectively and its Total Outside Liabilities to tangible net worth (TOL/TNW) stood at 1.8 times as on March 31, 2024, albeit significant improvement from FY2023 levels. Further, the margins in the distribution and trading businesses are inherently low and, therefore, the company's operating margins have remained modest at 4.5-5.5% over the years (5.2% for FY2024). However, IIPL provides value-added consulting services to system integrators and end customers, resulting in higher realisations and margins compared to pure play IT hardware distributors. While the company is working on increasing the revenue share from the margin accretive segments within its offerings, the operating margins are expected to be range bound given the nature of business.

Relatively higher dependence on a few key OEMs – The company has tie-ups with large OEMs such as Hitachi Vantara India Private Limited, Check Point Software Technologies Ltd, Micro Focus Software Solutions India Private Limited and other reputed players in the industry who cater to the data network architecture as well as data asset protection space. The strategy and performance of these OEMs is critical for IIPL's business growth as the company derives ~40% of revenues from distribution of products from top 3 suppliers. However, demonstrated ability to add suppliers provides comfort to an extent.

Moderate scale of operations; Competition from other established distributors and other small and medium-sized players – The company's scale of operations is moderate compared to other established players in the IT distribution space, despite its healthy revenue growth over the years. The company witnesses competition from other established distributors and other small and medium-sized players in the industry, restricting pricing flexibility to a large extent. However, periodic client additions, expansion into new geographies such as Sri Lanka, Bangladesh and Singapore, and healthy demand prospects for the cyber security, cloud computing and data storage industries are expected to support revenue growth over the medium term.

Liquidity position: Adequate

IIPL's liquidity is adequate, supported by healthy anticipated funds flow from operations and unencumbered cash and bank balances of Rs. 130.8 crore as on March 31, 2024. Also, the company's working capital utilisation was moderate at 50% of the sanctioned limits and at 18% of drawing power for the period April 2023 to March 2024, and it had unutilised working capital limits of over Rs. 40 crore as on March 31, 2024. Against these sources of cash, IIPL has negligible debt repayment obligations and minimal maintenance capex over the medium term. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of funds and be left with adequate cash surplus and buffer in working capital. Any debt-funded acquisition will be evaluated on a case-by-case basis.

Rating sensitivities

Positive factors – ICRA could upgrade IIPL's ratings if the company demonstrates significant improvement in its scale and profitability, while maintaining healthy leverage and coverage metrics and liquidity position.

Negative factors – Pressure on IIPL's ratings could arise due to a sharp decline in its scale and profitability or any major debt-funded capital expenditure or acquisition, or a deterioration in its working capital cycle and liquidity position. Key metrics include interest coverage[2] of less than 5.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company

About the company

Established in 2008, IIPL is a value-added distributor of IT hardware and software products, offering consulting solutions and associated services in data, network, and application protection and management, along with digital asset protection. While the hardware products generate around 30% of its revenues, software and services constitute the remaining 70%. The BFSI and Government sectors drive 30–35% of revenues each, with the rest from other corporate entities. The company partners with over 70 OEMs and offers more than 300 products to over 800 system integrators, serving more than 8,000 customers. Sundara (Mauritius) Ltd., an affiliate of Creador, a PE firm, invested in the company in FY2020 and till date remains a key shareholder. Apart from the PE investor, the remaining stake is held by promoters in their individual capacities and employees of the company.

[2] Interest coverage = OPBDITA/Interest and finance charges

Key financial indicators (audited/ Unaudited)

Consolidated	FY2023 (Audited)	FY2024 (Unaudited)*
Operating income	1833.0	2141.2
PAT	57.8	70.9
OPBDIT/OI	4.6%	5.2%
PAT/OI	3.2%	3.3%
Total outside liabilities/Tangible net worth (times)	2.6	1.8
Total debt/OPBDIT (times)	0.9	0.7
Interest coverage (times)	9.6	7.5

*Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances. * Provisional numbers;*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
					Jun 25, 2024	Jun 29, 2023	-	Mar 17, 2022	Jan 10, 2022
1	Cash Credit	Long term	80.00	-	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Non Fund-based	Short term	10.00	-	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+	[ICRA]A2+
3	Non Fund-based Interchangeable	Short term	(60.00)	-	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2+	[ICRA]A2+
4	Unallocated	Long term/ Short term	6.00	-	[ICRA]A (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	-	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based – Cash Credit	Simple
Short Term – Non-fund based	Very Simple
Short Term – Non-fund based -Interchangeable	Very Simple
Long Term/Short Term – Unallocated	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 are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash Credit**	NA	NA	NA	80.00	[ICRA]A (Stable)
NA	**Non Fund-based**	NA	NA	NA	10.00	[ICRA]A2+
NA	**Non Fund-based Interchangeable**	NA	NA	NA	(60.00)	[ICRA]A2+
NA	**Unallocated**	NA	NA	NA	6.00	[ICRA]A (Stable)/ [ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ivalue Infosolutions Pvt Ltd	NA	Full Consolidation
ASIA Ivalue Pte. Ltd.	100.00%	Full Consolidation
ASPL Info Services Private Limited	70.00%	Full Consolidation

Source: Company

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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.

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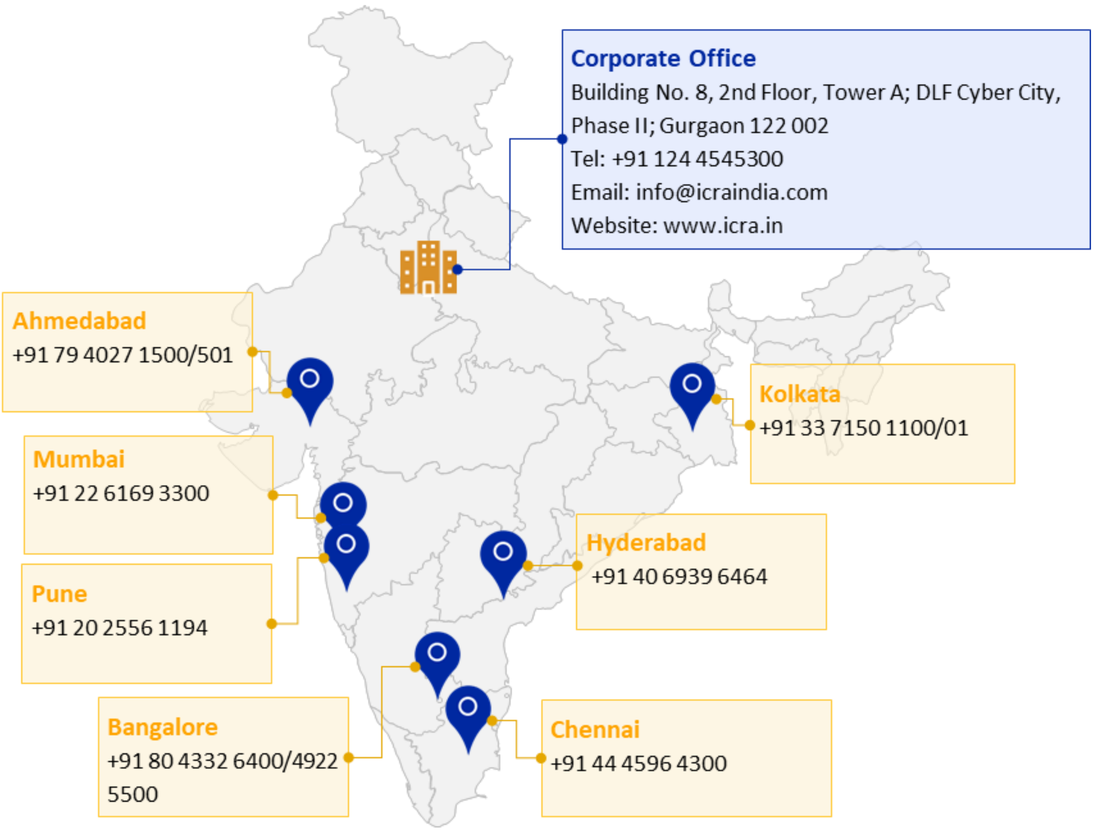

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