

February 12, 2025

NF Infratech Service Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Cash Credit	4.50	4.50	[ICRA]BBB- (Stable); reaffirmed
Long-term and Short-term – Non-fund Based	20.50	53.45	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed
Long-term and Short-term – Unallocated	80.00	47.05	[ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed
Total	105.00	105.00	

* Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings factors in the experienced management and favourable demand prospects for NF Infratech Service Private Limited (NFI/ the company) as an information technology (IT) integrator. ICRA ratings also considers the experienced management and the company's established track record of executing IT integration projects, mainly for Government departments, which provides it with a competitive advantage while bidding for tenders. ICRA notes that the company is currently bidding for new orders, which will improve the revenue visibility after NFI wins the tenders. ICRA also notes the comfortable credit profile due to low reliance on fund-based limits, while its working capital requirement has been largely funded by bank guarantees (BGs). The rating also considers the adequate liquidity profile on account of adequate free cash and bank balance to fund the working capital requirement.

The ratings are, however, constrained by the intense competition with other players and the tender-based nature of business. Although, its track record acts as a mitigant to an extent. ICRA expects profits to remain moderate due to intense competition, which limits the pricing power. In addition, timely execution with quality services would remain crucial for future orders. The timely availability of adequate bank guarantees with cash margin money also remains key to secure new orders.

The Stable outlook on NFI's rating reflects ICRA's opinion that the company will continue to benefit from its established position as an IT integrator and the Government's increased spending on improvement in IT infrastructure.

Key rating drivers and their description

Credit strengths

Experienced management in implementing IT and digitisation projects primarily to Government departments – NFI has an experienced management with rich experience in implementing IT projects, mainly for Government departments. The company is headed by a board of directors consisting of Ms. Shabana Nasim, Mr. Mohammed Hussain and Mr. Alok Sinha. Ms. Nasim has more than 25 years of professional experience; while Mr. Hussain has worked in Samsung and Panasonic before, and Mr. Sinha, IAS (retired), has 38 years of experience in administration and the public sector.

Comfortable financial risk profile characterised by low gearing, healthy debt coverage and comfortable liquidity – NFI has a comfortable financial profile on account of its low reliance on debt, resulting in healthy coverage metrics. Typically, the company can align its receivables and payables. NFI realises money from Government departments (public procurement entities) within stipulated time frames and a similar credit line is aligned with its suppliers. Moreover, NFI can also avail additional credit from many of its suppliers, if required. NFI also holds inventory for a very short period. Thus, while its fund-

based working capital requirement is low, the company needs to have adequate BG limits as it is required to submit bid bonds and performance guarantees for its orders. ICRA notes that NFI maintains healthy free cash and bank balance for any funding requirements, including BG margin.

Credit challenges

Revenue growth is vulnerable due to tender-based nature of business – NFI derives most of its revenues from tenders floated by Government entities; hence, revenue growth is prone to the successful bid of tenders. The trend in Government expenditure on IT infrastructure would drive revenue for players like NFI.

Intensely competitive industry limits pricing power; any large delay in realisation from Government entities could impact liquidity position – NFI operates in an industry with intense competition between various small players and a few large players. The intense competition and modest value addition in the nature of its business limits its pricing power and keeps profits under check. The successful track record of executing orders provides NFI with an edge over its competitors while bidding for new orders as well as during renewal of orders.

Ability to maintain service quality and execution timeline remains crucial – NFI’s scope of work includes supply of customised devices as well as provision of services for a contract period. It also has to offer requisite warranties as part of the contract. Thus, it is important for NFI to execute orders in a timely manner while maintaining the desired quality parameters. Moreover, the availability of trained manpower to manage the same remains key. Since most of its business comes from the Government, revenue booking timelines and receivable realisations may be impacted, affecting the company’s cash flow management.

Liquidity position: Adequate

NFI’s liquidity position is adequate on account of expectation of improvement in cash flows from operations and its policy to maintain healthy free cash and bank balance of ~Rs. 100 crore as of December 2024. The company has a low cash credit limit at Rs. 4.5 crore compared to its scale of operations due to the nature of its business since most of its working capital requirement is in the form of non-fund based limits, i.e., BGs and associated margin money requirements, which are used to secure Government contracts. The utilisation of non-fund based limits (BG) has remained high due to the BGs, which the company needs to provide. The company has sanctioned BG limit of Rs. 35.35 crore, whose utilisation has been high at about ~81% for the last 12 months ending in December 2024. In addition, NFI has project-specific BG of Rs. 17.6 crore. The company has negligible repayment liability for its term loan. The capex requirement also remains low for the business, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in scale and earnings while maintaining its profit margins, comfortable credit metrics and liquidity profile.

Negative factors – ICRA could downgrade the ratings if the company witnesses a material decline in revenue and earnings or any sharp decline in liquidity position. Additionally, TOL/TNW higher than 3.5 times, on a sustained basis, could be a negative rating factor.

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 standalone financials of NFI.

About the company

NF Infratech Service Private Ltd. operates as an IT integrator with experience in the field of infrastructure consultancy and development, software, and mobility products in the business-to-government (B2G) sector. The company procures devices from OEM(s)¹ such as Samsung, Apple, Lenovo, Microsoft, HP, Dell, and Panasonic, and supplies to Government departments along with services, which it arranges and adds on its own, resulting in value addition. The company was incorporated in August 2010. The company was awarded the first position (highest revenue) on GeM² for the women entrepreneur category in 2023 and Platinum Certification in the same category by the Government e-Marketplace for the previous three years consecutively.

Key financial indicators (audited)

NFI standalone	FY2023	FY2024
Operating income	301.7	1,094.7
PAT	11.4	36.6
OPBDIT/OI	4.4%	4.5%
PAT/OI	3.8%	3.3%
Total outside liabilities/Tangible net worth (times)	2.3	3.6
Total debt/OPBDIT (times)	0.2	0.1
Interest coverage (times)	20.1	16.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes, and amortisation

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)	February 12, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	4.50	[ICRA]BBB-(Stable)	Nov 30, 2023	[ICRA]BBB-(Stable)	-	-	-	-
Bank Guarantee	Long term/Short term	35.35	[ICRA]BBB-(Stable)/[ICRA]A3	Nov 30, 2023	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-
Project Specific BG	Long term/Short term	17.60	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-	-	-
Letter of credit	Long term/Short term	0.5	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-	-	-
Unallocated	Long term/Short term	47.05	[ICRA]BBB-(Stable)/[ICRA]A3	Nov 30, 2023	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-

¹ Original Equipment Manufacturer

² Government e-Marketplace

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Cash Credit	Simple
Long Term/Short Term – Bank Guarantee	Very Simple
Long Term/Short Term – Performance BG	Very Simple
Long Term/Short Term – Letter of Credit	Very Simple
Long-term/ Short-term – Unallocated	Not applicable

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	4.50	[ICRA]BBB- (Stable)
NA	Bank Guarantee	NA	NA	NA	35.35	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Project Specific BG	NA	NA	NA	17.60	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Letter of Credit	NA	NA	NA	0.50	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Unallocated	NA	NA	NA	47.05	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: company info

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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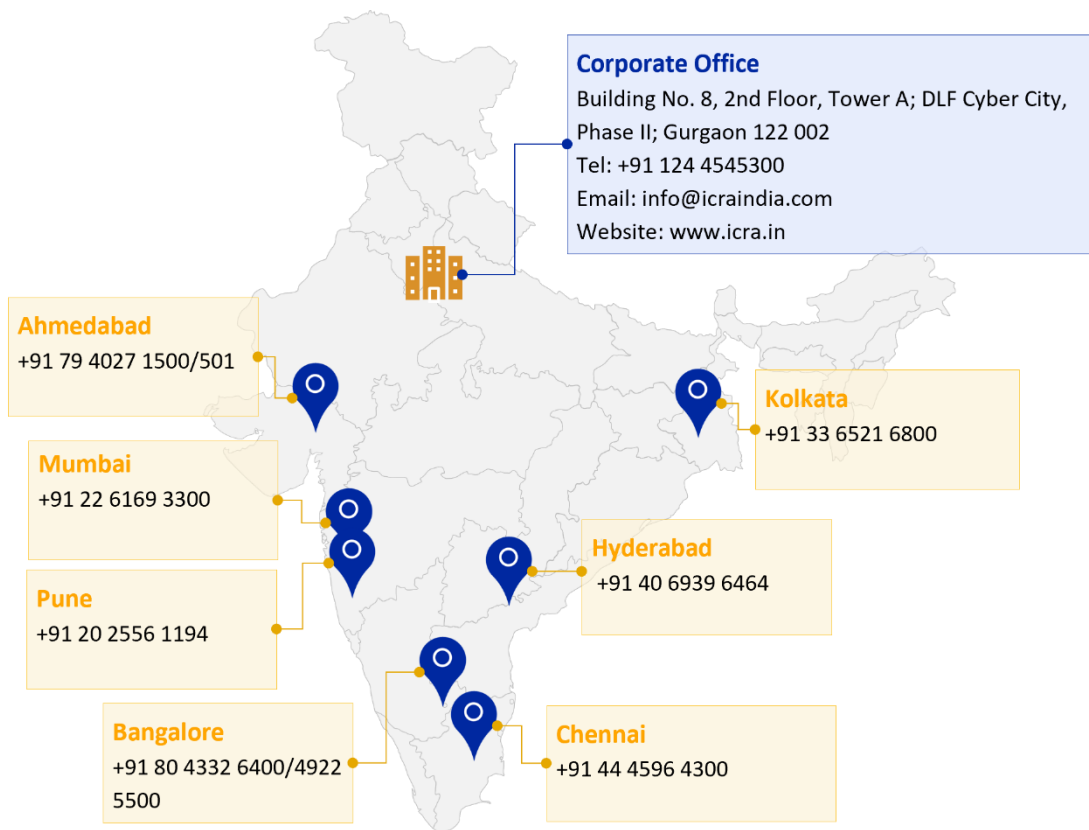
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