June 29, 2023

Ivalue Infosolutions Pvt Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based (CC)	80.00	80.00	[ICRA]A- (Stable); reaffirmed
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/Short-term – Unallocated	6.00	6.00	[ICRA]A- (Stable)/ [ICRA]A2+; reaffirmed
Total	**96.00**	**96.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of ratings for the bank lines of Ivalue Infosolutions Pvt Ltd (Ivalue/ the company) considers ICRA's expectation of a sustained financial performance in the near to medium term, supported by its healthy business profile. Ivalue's revenues grew to Rs. 1,851.0 crore in FY2023[1] from Rs. 526.6 crore in FY2018 at a CAGR of 28.6%, supported by increasing digitisation and healthy demand for cyber security and storage devices, strong association with system integrators resulting in repeat orders, and addition of new Original Equipment Manufacturers (OEMs). The healthy business outlook stemming from end-consumers increasingly strengthening their technological capabilities along with Ivalue's diversified product offerings are likely to support revenues, going forward. The company has been net debt negative since FY2020, and its working capital utilisation was moderate at 41% of the sanctioned limits for the period April 2022 to March 2023. The company's debt 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, low margins and moderate scale of operations. The company's debtor days and creditor were relatively high as on March 31, 2023[1] partly due to higher volumes in Q4 FY2023 and its Total Outside Liabilities to Tangible Net Worth (TOL/TNW) was higher at 2.8 times as on March 31, 2023[1] vis-à-vis 1.6 times as on March 31, 2022. While ICRA understands that both the debtors and creditors have improved in Q1 FY2024, significant improvement in the same going forward remains critical. Ivalue's scale of operations remains relatively moderate in the IT distribution space compared to other established players, despite healthy revenue growth in the last five years. Also, its operating margins have been relatively low at ~ 5% over the years owing to low value addition in the distribution businesses, although it is better than pure play distributors. Ivalue has high supplier concentration as well, with 40-60% 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.

Key rating drivers and their description

Credit strengths

Healthy revenue growth during the last five years; healthy industry growth prospects over the medium term – Expansion in customer base across industry segments including banking, financial services and insurance (BFSI), enterprises and

[1] Unaudited

Government business, repeat orders supported by strong association with system integrators and addition of new vendors/OEMs together enabled Ivalue's consistent revenue growth over the years. The revenues grew at a CAGR of 28.6% to Rs. 1,851.0 crore in FY2023[2] from Rs. 526.6 crore in FY2018. While Ivalue'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 25 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 like Sri Lanka, Bangladesh and Singapore as a part of its business expansion plans. Accordingly, Ivalue is expected to post healthy 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 cash and bank balances have been over Rs. 60.0 crore since FY2020 (Rs. 64.8 crore as on March 31, 2023[2]) following the fund infusion by private equity (PE) investors. Accordingly, the company has remained net debt negative since FY2020, and its working capital utilisation remained moderate at 41% of the sanctioned limits for the period April 2022 to March 2023. The company's debt metrics are expected to remain healthy over the medium term, with minimal maintenance capex plans in the next three years. However, the impact of any business acquisitions would be evaluated on a case-by-case basis.

Diversified product profile of hardware and software solutions along with value-added services – Ivalue 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 services components. While the hardware products generate around 40% of its revenues, software and services constitute 60%. Moreover, unlike pure play distributors, Ivalue also works with systems integrators/end-customers to provide consultation services for setting up the requisite networking, storage and security infrastructure, which provides a competitive edge. The value of the consultation service is built into the pricing, thereby resulting in higher realisations and margins.

Credit challenges

Inherently low margins in the distribution business; relatively high debtors and creditors –Ivalue's business remains working capital intensive, inherent to the distribution nature of business. The company's debtor days and creditor were relatively high as on March 31, 2023[2] partly due to higher volumes in Q4 FY2023 and its Total Outside Liabilities to Tangible Net Worth (TOL/TNW) was higher at 2.8 times as on March 31, 2023[2] vis-à-vis 1.6 times as on March 31, 2022. While ICRA understands that both the debtors and creditors have improved in Q1 FY2024, significant improvement in the same going forward remains critical. Further, the margins in the distribution and trading businesses are inherently low and, therefore, the company's operating margins have remained modest at ~5.0% over the years (4.7% for FY2023[2]). However, Ivalue provides value-added consultation 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 margin accretive, niche and customised hardware/software solutions, the operating margins are expected to be range bound given the distribution nature of business. Ivalue's ability to achieve material improvement in the margin profile over the medium term remains to be seen.

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. Further it witnesses competition from other established distributors and other small and medium-sized players in the industry. This, along with its limited value addition, restricts pricing flexibility to an extent. However, periodic client additions, expansion into new geographies like Sri Lanka, Bangladesh and Singapore, and healthy demand prospects for the cyber security and data storage industries are expected to support revenue growth over the medium term.

[2] Unaudited

Relatively high dependence on a few key OEMs – The company has tie-ups with large OEMs like Hitachi, Checkpoint, Microfocus 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 Ivalue's business growth as the company derives 40-60% of revenues from distribution of products from top 3 suppliers. However, demonstrated ability to add suppliers provides comfort to an extent.

Liquidity position: Adequate

Ivalue's liquidity is adequate, supported by healthy anticipated funds flow from operations and unecumbered cash and bank balances of Rs. 64.8 crore as on March 31, 2023. Also, the company's working capital utilisation was moderate at 41% of sanctioned limits for the period April 2022 to March 2023, and it had unutilised working capital limits of over Rs. 30.0 crore as on March 31, 2023. Against these sources of cash, Ivalue has negligible debt repayment obligations and minimal maintenance capex over the next three years. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of funds and be left with adequate buffer in working capital/cash surplus. Any debt-funded acquisition will be evaluated on a case-to-case basis.

Rating sensitivities

Positive factors – ICRA could upgrade Ivalue's ratings if the company demonstrates consistent improvement in its scale and profitability, while maintaining healthy leverage and coverage metrics and improving its working capital position.

Negative factors – Pressure on Ivalue'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 TOL/TNW of more than 1.5 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, Ivalue 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 40% of its revenues, software and services constitute 60%. The BFSI and Government sectors drive 30–35% of revenues each, with the rest coming in 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 currently holds 33.37% stake on a fully diluted basis. Apart from the PE investor, the remaining shares are held by promoters in their individual capacities.

Key financial indicators

	FY2022 (audited)	FY2023 (unaudited)
Operating income	1,299.0	1,851.0
PAT	44.4	59.7
OPBDIT/OI	5.2%	4.7%
PAT/OI	3.4%	3.2%
Total outside liabilities/Tangible net worth (times)	1.6	2.8
Total debt/OPBDIT (times)	0.3	0.4
Interest coverage (times)	7.0	11.0

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3" colspan="2">Instrument</th><th colspan="4">Current rating (FY2024)</th><th colspan="4">Chronology of rating history for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount rated (Rs. crore)</th><th rowspan="2">Amount outstanding as of March 31, 2023 (Rs. crore)</th><th>Date & rating in FY2024</th><th>Date & rating in FY2023</th><th colspan="2">Date & rating in FY2022</th><th>Date & rating in FY2021</th></tr>
<tr><th>Jun 29, 2023</th><th>-</th><th>Mar 17, 2022</th><th>Jan 10, 2022</th><th>Nov 30, 2020</th></tr>
<tr><td>1</td><td>Fund-based (CC)</td><td>Long term</td><td>80.00</td><td>-</td><td>[ICRA]A- (Stable)</td><td>-</td><td>[ICRA]A- (Stable)</td><td>[ICRA]A- (Stable)</td><td>[ICRA]A- (Stable)</td></tr>
<tr><td>2</td><td>Non-fund based</td><td>Short Term</td><td>10.00</td><td>-</td><td>[ICRA]A2+</td><td>-</td><td>[ICRA]A2+</td><td>[ICRA]A2+</td><td>[ICRA]A2+</td></tr>
<tr><td>3</td><td>Non-fund based Interchangeable</td><td>Short Term</td><td>(60.00)</td><td>-</td><td>[ICRA]A2+</td><td>-</td><td>[ICRA]A2+</td><td>[ICRA]A2+</td><td>[ICRA]A2+</td></tr>
<tr><td>4</td><td>Unallocated</td><td>Long/ Short Term</td><td>6.00</td><td>-</td><td>[ICRA]A-(Stable)/[ICRA]A2+</td><td>-</td><td>[ICRA]A-(Stable)/[ICRA]A2+</td><td>[ICRA]A-(Stable)/[ICRA]A2+</td><td>[ICRA]A-(Stable)/[ICRA]A2+</td></tr>
</table>

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund Based (CC)	Simple
Short Term – Non-fund based	Very Simple
Short Term – Non-fund based Interchangeable	Very Simple
Long/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	**Interchangeable**	NA	NA	NA	(60.00)	[ICRA]A2+
NA	**Unallocated**	NA	NA	NA	6.00	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

K Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
Vinutaa.s@icraindia.com

Bikram Keshari Swar
+91 44 4596 4311
bikram.swar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@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