

November 30, 2023

## NF Infratech Service Private Limited: Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	4.50	[ICRA]BBB- (Stable); assigned
Long-term/Short-term – Non-fund based	20.50	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Long-term/Short-term – Unallocated	80.00	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
<b>Total</b>	<b>105.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned ratings favourably factor in NF Infratech Service Private Limited's (NFI/ the company) experienced management, growing scale of operations and established track record as an information technology (IT) systems integrator. NFI's rating is also supported by its strong order book of more than Rs. 1,300 crore as of October 2023, which ensures healthy revenue visibility for the next two to three years, along with a substantial order pipeline. NFI has a comfortable credit profile due to its low reliance on debt. The rating also considers its adequate liquidity position as it maintains sizeable free cash and bank balance as a cushion to manage cash flows as well as fund margins for bank guarantees.

The ratings are, however, constrained by the moderate net worth and moderate profit margins of the company. The company faces intense competition with its tender-based nature of business; however, its track record acts as a mitigant to an extent. Moreover, timely execution with desired quality services remains crucial for the company. The availability of adequate bank guarantees with margin money in a timely manner also remains key.

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 leading to a favourable demand outlook.

### Key rating drivers and their description

#### Credit strengths

**Experienced management in implementing IT projects** – 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. Shabana Nasim has more than twenty-five years of professional experience. Mr. Mohammed Hussain has worked in Samsung and Panasonic in the past. Mr. Alok Sinha, IAS (Retired), has 38 years of experience in administration and the public sector.

**Strong order book ensures healthy revenue visibility** – NFI has confirmed orders of more than Rs. 1,300 crore, as of October 2023, which will be executed over FY2024 and FY2025. Further, the company will have to provide service support for the contract tenures. Apart from the confirmed order book, there are more than Rs. 1,000 crore worth of orders in the pipeline. In FY2023, the company recorded revenues of Rs. 301.7 crore, a YoY growth of 27.9%, which further improved to Rs. 350.4 crore for H1 FY2024.

**Comfortable financial risk profile 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 times and similar credit line is aligned with its suppliers as well. 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 bank guarantee (BG) limits as it is required to submit bid bonds and performance guarantees for its orders. ICRA notes that NFI maintains Rs. 20-25 crore of 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, mainly from Government projects** – 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** – 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 the business limits NFI's pricing power and keeps the profit margin under check. The successful track record of executing orders provides NFI an edge over its competitors while bidding for new orders as well as during renewal of orders.

**Ability to maintain service quality and execution timeliness remains crucial** – NFI's scope of work includes supply of customised devices as well as provision of services for the 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, availability of trained manpower to manage the same also remains key. Moreover, since most of its business comes from the Government, revenue booking timelines and receivable realisations may get 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 free cash and bank balance of Rs. 20-25 crore. The company has a low cash credit limit compared to its scale of operations due to the nature of its business wherein the majority of funding requirement is in the form of non-fund based limits, i.e., BGs and associated margin money requirements. With high utilisation for BG limits, the company is in the process of enhancing the limit from the bank for orders in the pipeline. The average utilisation of cash credit limit stood at ~45% in the last 15 months ending in October 2023. The company has a negligible repayment liability for term loans. The capex requirement is also low for business in the near to medium term.

## 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 revenues and earnings or any sharp decline in liquidity position on a sustained basis. Additionally, TOL/TNW higher than 3.2 times, on a sustained basis, could be a negative rating factor.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of NFI.

## About the company

NFI provides mobility solutions including the supply and installation of hardware by embedding customised software application as per client requirements and after-sales maintenance services of its hardware. NFI acts as a systems integrator with an experience of ~10 years in handling IT projects for the Government of India. These are mainly urban and rural digitisation projects as part of various Central Government programmes. NFI is registered with the Government e Marketplace (GeM). In 2023, the company was also awarded the first position (highest annual revenue) in the category of women entrepreneurs and a Platinum Certification in the same category by the GeM for three years consecutively from FY2021-FY2023.

## Key financial indicators (audited)

NFI standalone	FY2022	FY2023
Operating income	235.9	301.7
PAT	9.8	11.4
OPBDIT/OI	4.7%	4.4%
PAT/OI	4.1%	3.8%
Total outside liabilities/Tangible net worth (times)	1.2x	2.3x
Total debt/OPBDIT (times)	0.7x	0.2x
Interest coverage (times)	35.4x	20.1x

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

**Status of non-cooperation with previous CRA:** Brickworks has kept the ratings under Issuer Not Cooperating category at BWR B- (Stable) /A4 via press release dated October 31, 2022.

**Any other information:** None

## Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
				Nov 30, 2023	-	-	-
1 Cash Credit	Long Term	4.50	-	[ICRA] BBB- (Stable)	-	-	-
2 Bank Guarantee	Long Term/Short Term	20.00	-	[ICRA] BBB- (Stable)/ [ICRA] A3	-	-	-
3 Letter of Credit	Long Term/Short Term	0.50	-	[ICRA] BBB- (Stable)/ [ICRA] A3	-	-	-
4 Unallocated	Long Term/Short Term	80.00	-	[ICRA] BBB- (Stable)/ [ICRA] A3	-	-	-

Source: Company

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Cash Credit	Simple
Long Term/Short Term – Letter of Credit	Very Simple
Long Term/Short Term – Bank Guarantee	Very Simple

---

Long Term and 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	20.00	[ICRA] BBB- (Stable)/ [ICRA] A3
NA	Letter of credit	NA	NA	NA	0.50	[ICRA] BBB- (Stable)/ [ICRA] A3
NA	Unallocated	NA	NA	NA	80.00	[ICRA] BBB- (Stable)/ [ICRA] A3

Source: Company

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

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

## ANALYST CONTACTS

**Shamsher Dewan**

91 124 4545 328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sheetal Sharad**

+91 124 4545 374

[Sheetal.sharad@icraindia.com](mailto:Sheetal.sharad@icraindia.com)

**Uday Kumar**

+91 124 4545 867

[uday.kumar@icraindia.com](mailto:uday.kumar@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



### Registered Office

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



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.