

8K Miles Software Services Limited

October 29 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities- Over Draft	10.00	CARE C; Stable/CARE A4 (Single C; Outlook: Stable/ A Four)	Revised from CARE BB+; Negative / CARE A4+; (Double B Plus; Outlook: Negative / A Four Plus)
Long Term Bank Facilities- Term Loan	25.00	CARE D	Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)
Long term Bank Facility- CC facility	15.00	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)
Total Facilities	50.00 (Rupees Fifty crore only)		
Proposed Non- Convertible Debentures	50 (Rupees Fifty crore only)	CARE C; Stable (Single C; Outlook: Stable)	Revised from CARE BB+; Negative (Double B Plus; Outlook: Negative)

Rating Rationale

The revision in ratings assigned to the corporate loan facility of 8k miles software services limited ("8k miles") considers the recent delay in the interest servicing on corporate loan. However, there are no delays in Cash Credit (CC)/ Overdraft (OD) account.

Other rating weaknesses include auditor's qualification in the recent audit report regarding the likelihood of material misstatement in the consolidated financials and the continuing sharp decline in the market capitalization of the company.

Detailed description of the key rating drivers
Key Rating Weakness
Delay in Debt Servicing

There has been delay in the interest servicing obligation in the corporate loan facility. However, there are no delays in CC and OD account.

Foreign exchange fluctuation risk

The company's revenues are largely denominated in US Dollars (USD). Majority of the cost payable (more than 90%) is also denominated in US dollars; hence, fluctuations in foreign currency exchange rates will have marginal impact on company's profitability in absence of any formal hedging policy.

Presence in industry characterised by growing competition from IT Majors and other small and medium players

The growing competition exposes the company to inherent industry risks such as ability to bag large-sized contracts and attrition of personnel, which may result in lower growth rates. The moderate scale of operations also restricts financial flexibility to an extent. Furthermore, the company remains exposed to industry specific risks of high attrition rates, wage inflation and regulatory framework which can also put pressure on the margins.

Analytical approach

Consolidated view on 8K miles and its subsidiaries is taken as they are under the common management and have same business operations.

Applicable Criteria:
[Criteria for Short Term Instruments](#)
[Financials Ratio-Non Financial Sector](#)
[Criteria on Assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Criteria on Factoring Linkages in Ratings](#)
[Criteria on Service Sector Companies](#)

¹Complete definition of the ratings assigned is available at www.careratings.com and other CARE publications.

About the Company

8K Miles was originally promoted by Mr Venkatachari Suresh, Mr R. S. Ramani and Mr M. V Bhaskar in the year 2008 with a view to provide cloud computing and related services to companies in United States of America (USA). The company also provides software design and development, web services, consulting and other services through its various subsidiaries. Over the years 8K Miles has developed various proprietary platforms such as Cloud Ez Solution, Federal Identity Management systems on Multi-Domain Identity Service (MISP) and Cloud ID Exchange (CIE) platform among others which helps the company provide cloud based solution to its clients. The company has technological partnerships with Amazon Web Services, Microsoft Azure, IBM, Google Cloud Platform and CA Technologies. They are one of the preferred managed service partners for Amazon Web Services.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	528.34	856.94
PBILDT	186.80	301.07
PAT	129.19	205.41
Overall gearing (times)	0.16	0.30
Interest coverage (times)		Very high

Status of Non-Cooperation with other CRA: Not applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr. Arunava Paul

Tel: 022-67543667

Email: arunava.paul@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Bank Overdraft	-	-	-	10.00	CARE C; Stable / CARE A4
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE C; Stable
Fund-based - LT-Term Loan	-	-	Feb 2020	25.00	CARE D
Debentures-Non Convertible Debentures (Proposed)	-	-	--	50.00	CARE C; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Debentures-Non Convertible Debentures	LT	50.00	CARE C; Stable	1) CARE BB+; Negative (28-Sep-18) 2) CARE A- (Under Credit watch with Developing Implications) (13-Jul-18)	1) CARE A-; Stable (22-Mar-18) 2) CARE A-; Stable (13-Feb-18)	1) CARE A-; Stable (29-Nov-16)	-
2.	Fund-based - LT/ ST-Bank Overdraft	LT/ST	10.00	CARE C; Stable / CARE A4	1) CARE BB+; Negative / CARE A4 (28-Sep-18) 2) CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (13-Jul-18)	1) CARE A-; Stable / CARE A2+ (22-Mar-18) 2) CARE A-; Stable / CARE A2+ (13-Feb-18)	1) CARE A-; Stable / CARE A2+ (29-Nov-16)	-
3.	Fund-based - LT-Cash Credit	LT	15.00	CARE C; Stable	1) CARE BB+; Negative (28-Sep-18) 2) CARE A- (Under Credit watch with Developing Implications) (13-Jul-18)	1) CARE A-; Stable (22-Mar-18)	-	-
4.	Fund-based - LT-Term Loan	LT	25.00	CARE D	1) CARE BB+; Negative (28-Sep-18) 2) CARE A- (Under Credit watch with Developing Implications) (13-Jul-18)	1) CARE A-; Stable (22-Mar-18)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati

32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni

304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha

SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264

Tel: +91- 0172-490-4000/01

Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee

9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com