

## 8K Miles Software Services Limited

### March 11, 2020

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	10.00	<b>CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE C, Stable (Single C; Outlook: Stable) on the basis of best available information
Long-term/Short term Bank Facilities	10.00	<b>CARE C; Stable/ CARE A4; ISSUER NOT COOPERATING* (Single C; Outlook: Stable/A Four; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Revised from CARE C; Stable/ CARE A4 (Single C; Outlook: Stable/ A Four) on the basis of best available information
<b>Total Facilities</b>	<b>20.00 (Rupees Twenty crore only)</b>		

*Details of facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from 8k Miles software services limited (8k miles) to monitor the rating vide email communications/letters dated March 09, 2020, March 07, 2020, March 06, 2020, March 05, 2020, March 04, 2020, March 03, 2020, December 03, 2019, November 04, 2019, October 15, 2019, September 30, 2019, September 23, 2019, September 16, 2019, August 06, 2019, July 09, 2019, July 05, 2019, July 03, 2019 and numerous phone calls. However, despite of our repeated requests, the company has not provided requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on 8k Miles's bank facilities will now be denoted as CARE C; Stable/CARE A4; ISSUER NOT COOPERATING\*.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The ratings takes into account disclaimer of opinion given by auditor on financials of FY19, weak corporate governance, presence in the industry characterized by growing competition from IT majors and other small and medium players, Stretched liquidity profile.

The rating considers the experience of the promoters in cloud computing vertical.

**Detailed description of the key rating drivers**

*At the time of last rating on March 14, 2019 following were the rating strengths and weaknesses:*

**Key rating weakness****Weak corporate governance**

The corporate governance of the company stands weak reflected by the qualification in the audit report dated September 07 2018 regarding the likelihood of material misstatement in the consolidated financials.

**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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

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.

### Stretched liquidity profile

The liquidity position of the company is stretched due to long collection period of 2-3 months. The average working capital utilisation for the past 12 months ending February 2019 remains high at 89% thereby providing limited liquidity cushion.

### Key Rating Strength

#### Experienced Promoters

Mr. Venkatachari Suresh is the founder and also the Managing Director and CEO of the company and has more than 26 years of experience in the outsourcing & consulting industry and drives the company's strategy and business development function. The company retains the promoters and employees of the acquired companies to benefit from their experience in the system.

**Analytical approach:** Consolidated view on 8K miles and its subsidiaries is taken as they are under the common management and have same business operations. Following Subsidiaries have been considered for the consolidated approach:

8k Miles Software Services Inc. USA

8K Miles Software Services FZE -UAE

8K Miles Health Cloud Inc. USA

Mentor Minds Solutions and Services Inc. USA

Mentor Minds Solutions and Services Private Ltd. India

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### 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	FY18 (A)	FY19*
Total operating income	858	842
PBILD	301	178
PAT	205	81
Overall gearing (times)	0.30	0.14
Interest coverage (times)	30.98	15.29

A: Audited \*Auditor has given disclaimer of opinion.

\*overall gearing is calculated after considering unsecured loans subordinated to bank borrowings as part of net worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

**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 / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (14-Mar-19) 2)CARE C; Stable (29-Oct-18) 3)CARE BB+; Negative (28-Sep-18) 4)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 / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE C; Stable / CARE A4 (14-Mar-19) 2)CARE C; Stable / CARE A4 (29-Oct-18) 3)CARE BB+; Negative / CARE A4	1)CARE A-; Stable / CARE A2+ (22-Mar-18) 2)CARE A-; Stable / CARE	1)CARE A-; Stable / CARE A2+ (29-Nov-16)

						(28-Sep-18) 4)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (13-Jul-18)	A2+ (13-Feb- 18)	
3.	Fund-based - LT-Cash Credit	LT	10.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE C; Stable (14-Mar-19) 2)CARE C; Stable (29-Oct-18) 3)CARE BB+; Negative (28-Sep-18) 4)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	-	-	-	1)Withdrawn (14-Mar-19) 2)CARE D (29-Oct-18) 3)CARE BB+; Negative (28-Sep-18) 4)CARE A- (Under Credit watch with Developing Implications) (13-Jul-18)	1)CARE A-; Stable (22- Mar-18)	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**