

8K Miles Software Services Limited

March 14 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	20.00	CARE C; Stable/CARE A4 (Single C; Outlook: Stable/ A Four)	Reaffirmed
Long Term Bank Facilities- Term Loan	-	-	Withdrawn
Total Facilities	20.00 (Rupees Twenty crore only)		
Proposed Non-Convertible Debentures	-	-	Withdrawn

Rating Rationale

The ratings assigned to the bank facilities of 8k miles software services limited ("8k miles") considers auditor's qualification in the audit report dated September 07 2018 regarding the likelihood of material misstatement in the consolidated financials and sharp decline in the market capitalization of the company.

Other rating challenges includes the concentration of revenue to a few geographies which in turn could lead to the risk of exposure to adverse economic conditions and government policies in the end-user market, vulnerability of profitability to the intense competition in the IT service industry and stressed liquidity position.

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

Any unanticipated debt-funded acquisition by the company which may impact the liquidity and weigh negatively on the credit profile of the company is the key rating sensitivity.

CARE has withdrawn the rating assigned to the term loan facility of 8k miles with immediate effect, as the company has repaid the term loan in full and there is no amount outstanding under the loan as on date. Further, CARE has withdrawn the rating assigned to the proposed Non-convertible debentures of 8k miles with immediate effect as the company has not placed the instrument and there is no amount outstanding under the issue as on date.

Detailed description of the key rating drivers

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 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

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

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 on Withdrawal of ratings](#)
[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](#)

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.

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****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	-	-	-	10.00	CARE C; Stable
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn
Debentures-Non Convertible Debentures	-	-	-	0.00	Withdrawn

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	-	-	1)CARE C; Stable (29-Oct-18) 2)CARE BB+; Negative (28-Sep-18) 3)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 C; Stable / CARE A4 (29-Oct-18) 2)CARE BB+; Negative / CARE A4 (28-Sep-18) 3)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	10.00	CARE C; Stable	1)CARE C; Stable (29-Oct-18) 2)CARE BB+; Negative (28-Sep-18) 3)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)CARE D (29-Oct-18) 2)CARE BB+; Negative (28-Sep-18) 3)CARE A- (Under Credit watch with Developing Implications) (13-Jul-18)	1)CARE A-; Stable (22-Mar-18)	-	-

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