

R. S. Software (India) Ltd
January 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	24.5	CARE BBB+; Stable (Triple B Plus; Outlook:Stable)	Reaffirmed
Short-term Bank Facilities	0.5	CARE A2 (A Two)	Reaffirmed
Total	25.0 (Rupees Twenty Five Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of R. S. Software (India) Ltd (RSSIL) continues to draw strength from its experienced promoters with long and established track record, expertise in maintenance services to electronic payment industry, new product development initiatives, comfortable financial position marked by negligible debt and strong liquidity profile amidst deterioration due to funding of loss and elongated working capital cycle. The ratings are further constrained by weak financial performance of the company in FY18 (refers to the period April 1 to March 31) and H1FY19 (refers to the period April 1 to September 30), presence in an intensely competitive industry, moderate order book position, company's exposure to foreign exchange fluctuation risk and dependence on the fortunes of global and domestic electronic payment industry.

Growth in scale of operation with improvement in profitability, ability to acquire new clients in highly competitive software/platform development, capture new orders from the existing/new clients in service, maintenance segment without significant leveraging and maintaining cash & liquid investment year on year are the key rating sensitivities.

Detailed description of key rating drivers**Key rating strengths*****Net Debt - free company with strong liquidity profile***

RSSL continued to remain a debt-free company FY18, barring secured bank over drafts. Furthermore, the liquidity profile continued to remain strong with its large cash balance and liquid investments. RSSL has free cash & bank balance of Rs.22.17 crore and investments in liquid funds of Rs.63.86 crore as on March 31, 2018 which significantly support its liquidity.

Experienced Promoters

Mr R. R. Jain (aged about 61 years), the promoter, is a B.S.C and an MBA in Marketing and Information Systems from University of California. Mr. Jain, a first generation entrepreneur, started his professional career in software consultancy in Los Angeles, USA. Mr. Jain having more than three decades of working experience in software & electronic payment services industry is at the helm of affairs of the company.

Long and established track record in providing maintenance in electronic payment industry

RSSL has a long and established track record of about three decades in testing, maintenance and development of various software packages including ERP, providing solutions and project management in the area of client server and web based technologies. Since inception, the company has developed and maintained mission critical applications for leading payment network operators based in North America, Japan and UK.

Expertise in electronic payment service segment

RSSL had been working with various large clients like VISA International Services Association (Visa), Visa EU, Global Cash Access (now Evri), Discover, Base Commerce, Secure Net, Nelnet, etc. in developing applications across various platforms, along-with maintenance and testing, within the identified verticals. The clients are large electronic payment solution service providers of the world.

New product development initiatives

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

The Company has launched RBI backed digital payment platform called Unified Payment Interface (UPI) partnered with National Payment Corporation of India (NPCI) in order to integrate multiple systems into a 'uniform nation-wide and standardized business process for all retail payment systems. Furthermore, RSSL has done a launch of the Bharat Bill Payment System (BBPS). The company has also been developing digital payment platform, Payabbhi, through a 75% subsidiary, Paypermint Pvt Ltd.

Key Rating Weakness

Weak financial performance in FY18 & H1FY19

RSSL's total operating income witnessed a significant decline of about 19% y-o-y in FY18 to Rs.57.53 crore due to decline in orders flow and execution of the same post snapping of its ties with Visa Inc. (the major customer of the company contributing more than 80% of its total revenue in the past) with a view to reduce single client concentration and tap future opportunities in the digital payment industry across the developing countries.

During H1FY19, on an absolute basis, the performance continues to remain weak, though, it witnessed marginal improvement during Q2FY19 in terms of increase in turnover and reduction in losses both on y-o-y and q-o-q basis. It reported a loss at PBILDT level of Rs.18.58 crore in H1FY19 vis-à-vis a loss of Rs.21.66 crore in H1FY18. This was due to the company not being able to generate sufficient revenue post snapping of ties with Visa Inc.

High employee cost

Being a service oriented organization employee cost (including sub-contracting expenses) continues to be the major cost for RSSL (accounted for about 78% of the cost of sales in FY18). The company is currently working on development of projects in which it is incurring expense in form of employee costs from which it expects to generate revenue in the medium term.

Foreign exchange fluctuation risk

RSSL is engaged in providing software solutions to the global payment solution industry and hence, is exposed to fluctuation in the foreign currencies vis-à-vis rupee (INR).

Moderate order book position

The company is shifting its focus from service to product/platform development, digital payments, in-country networks in order to tap the growing opportunities in the digital payment industry in India and other developing countries. Furthermore, in order to reduce the single client concentration risk, RSSL also focuses on building up multiple clients across America, Europe and Asia by snapping off its ties with Visa Inc.

Dependence on the fortunes of global electronic payment industry

RSSL's revenue is majorly derived from the global electronic payment industry. However, with increasing trend in usage of electronic payment networks across the globe, the possibility of downturn in the sector is minimal in medium term.

Liquidity Analysis:

The liquidity profile of RSSL remains satisfactory for FY18 as evident from cash and liquid investment of Rs. 87.73 crs and nil borrowings. Current ratio declined for FY18 which stood at 5.15 from 12.33 for FY17 majorly on account of decrease in short term investment and increase in loans from group companies. Despite declining current ratio and cash and liquid investment due to incurring losses in couple of years, company's liquidity position remains satisfactory on account of nil debt obligations

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook 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

R S Software (India) Ltd. (RSSL) was set up as a private limited company by one Mr R. R. Jain of Kolkata in December, 1987 (converted into a Public Limited company in February, 1992). RSSL is predominantly engaged in software development, maintenance, testing and software project management under client server and web-based technologies. This is done through on-site co-ordination and offshore execution. The major

infrastructure of the company is located at Salt Lake Electronics Complex, Kolkata. RSSL has received various accreditations/certifications (including ISO 9001:2000 certification) for its processes.

RSSL has three wholly owned subsidiaries, Responsive Solution Inc. in USA, R. S. Software (Asia) Pte. Ltd in Singapore and Paypermint Private limited in India (incorporated on August 26, 2016). Responsive Solution Inc. and R. S. Software (Asia) Pte. Ltd is the marketing arm of RSSL with no significant cash flow. Paypermint Private limited was incorporated in Aug, 2016 in view of opportunities in online payment facilitation.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	71.84	58.53
PBILDT	-33.14	-42.07
PAT	-16.30	-25.73
Overall gearing (times)	0.01	0.06
Interest coverage	NM	NM

A: Audited NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for 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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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-Cash Credit	-	-	-	24.50	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A2

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.	Fund-based - LT-Cash Credit	LT	24.50	CARE BBB+; Stable	1)CARE BBB+; Stable (06-Aug-18)	1)CARE A-; Negative (25-Sep-17)	1)CARE A; Negative (16-Feb-17)	1)CARE A+ (06-Jul-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A2	1)CARE A2 (06-Aug-18)	1)CARE A2 (25-Sep-17)	1)CARE A1 (16-Feb-17)	1)CARE A1+ (06-Jul-15)

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