Softtech Engineers Private Limited

April 04, 2018

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	6.00	**CARE BB+; Stable; Issuer Not Cooperating* (Double B Plus ; Outlook: Stable; Issuer Not Cooperating*)**	**Issuer not Co-operating; Based on the basis of best available information**
Short term Bank Facilities	11.68	**CARE A4+; Issuer Not Cooperating* (A Four Plus ; Issuer Not Cooperating*)**	**Issuer not Co-operating; Based on the basis of best available information**
Total	**17.68 (Rs. Seventeen crore and sixty eight lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Softtech Engineers Private Limited(SEPL) to monitor the ratings vide e-mail communications/letters dated March 16, 2018 , March 06, 2018 , March 01, 2018 , February 13, 2018 February 12, 2018, January 29, 2018 and numerous phone calls. However, despite our repeated requests, the company/firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on SEPL's bank facilities will now be denoted as CARE BB+; Stable/CAREA4+; 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 take into account small scale of operations, along with customer concentration risk and working capital intensive nature of operation emanating from a major chunk of revenues from various governments departments resulting in a stretched collection cycle. Furthermore, the ratings remain constrained from the risk associated with the exit of venture falling on the company and/or promoters. The ratings also factor in the increase in operating income and cash accruals albeit moderation in capital structure and elongation of collection period during FY17 (refers to the period April 1 to March 31), extensive experience of the promoters in the telecom from the extensive experience of the promoters of around three decades in the information technology consulting business, reputed and established client base, geographically diversified customer base, comfortable profit margins and healthy outstanding order book position providing revenue visibility over the medium term.

Detailed description of the key rating drivers

At the time of last rating on April 24, 2017, the following were the rating strengths and weaknesses (updated available information from Ministry of Corporate Affairs)

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations: The size of operations of the company, though improved, remains small at Rs 47.03 crore in FY17 with tangible net-worth of Rs 23.57 crore as on March 31, 2107 restricting its financial flexibility.

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature with funds largely blocked in debtors. The working capital requirements are met by a cash credit limit utilization of which remained on a higher side.

Customer concentration risk: Contribution from Government Departments was high at about 55% to total operating income thereby exposing the company to concentration risk.

Key Rating Strengths

Long track record of operations and experience of the promoters: SEPL has an established track record of over two decades and is promoted by Mr Vijay Gupta, having experience of over three decades in the industry. He is ably assisted by Ms Priti Gupta having an experience and Mr BK Patel, who also have an extensive experience of around two and half decades.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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

Reputed, established and geographically diversified client base: SEPL has a customer base of more than 50 customers spread across India and some parts of Nigeria, UAE and Oman. Furthermore, in the domestic market, client of SEPL include both government and private players.

Healthy profit margins: Profit margins of the company have remained healthy, in the range of 27% to 28% during last three years ending FY17 owing to service nature of operations.

Comfortable capital structure and debt coverage indicators: The capital structure of SEPL remained comfortable with below unity overall gearing. Furthermore, with a healthy profitability and low gearing the debt coverage indicators remain comfortable.

Analytical approach: Standalone

Applicable Criteria:

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
CARE's Policy on Default Recognition
CARE's Methodology for Service Companies
Financial ratios (Non-Financial Sector)

About the Company

SEPL, based out of Pune, is an ISO 9001:2008 certified company, was incorporated in the year 1996 with a view to develop software solutions for architecture, engineering and construction (AEC) industries. The company offers its services to Government as well as private players.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	44.33	47.03
PBILDT	10.80	13.41
PAT	3.29	4.92
Overall gearing (times)	0.91	0.73
Interest coverage (times)	5.38	5.37

A: Audited

Status of non-cooperation with previous CRA: Nil

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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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.

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	-	-	-	6.00	CARE BB+; Stable; Issuer Not Cooperating*
Non-fund-based - ST-BG/LC	-	-	-	11.68	CARE A4+; 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 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	6.00	CARE BB+; Stable; Issuer Not Cooperating*	-	1)CARE BB+; Stable (24-Apr-17)	1)CARE BB+ (26-Apr-16)	-
2.	Non-fund-based - ST-BG/LC	ST	11.68	CARE A4+; Issuer Not Cooperating*	-	1)CARE A4+ (24-Apr-17)	1)CARE A4 (26-Apr-16)	-

*Issuer not cooperating; Based on best available information

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