Softtech Engineers Private Limited

April 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	6.00 (enhanced from 5.00)	**CARE BB+; Stable (Double B Plus; Outlook: Stable)**	Reaffirmed
Short-term Bank Facilities	11.68 (enhanced from 8.68)	**CARE A4+ (A Four Plus)**	Revised from CARE A4 (A Four)
Total Facilities	**17.68 (Rupees Seventeen crore and Sixty Eight lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the short-term rating assigned to the bank facilities of Softtech Engineers Private Limited (SEPL) takes into account the improved liquidity position of the company on account of quicker recovery of funds from various government departments.

The ratings, however, continue to remain constrained on account of the 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 factor in the increase in operating income and cash accruals albeit moderation in capital structure and elongation of collection period during FY16 (refers to the period April 1 to March 31)

The ratings, however, continue to draw support 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.

The ability of the entity to complete the orders timely and thus increasing its scale of operations while maintaining its profitability and capital structure along with improvement in liquidity position with better debtor management is the key rating sensitivity

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.

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 around 55% revenue is derived from Government Departments and around 45% from private players.

Healthy profit margins: The total operating income of SEPL grew at a CAGR of nearly 27% in the last three financial years ended FY16 (refers to the period April 01 to March 31), with a y-o-y growth rate of over 22% to reach Rs.44.33 crore in FY16. Profit margins of the company have remained comfortable, in the range of 27% to 24% during last three years ending FY16 owing to service nature of operations. However, the same has been deteriorating, mainly on account of increase in the employee base.

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

Key Rating weakness

Small scale of operations: Despite the growth in the scale of operations, it remained modest with a tangible net worth of Rs.20.29 crore as on March 31, 2016, thus restricting financial flexibility of the entity to an extent.

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 requirement are met by a cash credit limit with were utilized on a higher side along with higher credit period received from its creditors.

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

Analytical Approach: Standalone

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

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[CARE's Methodology for Services Sector Companies]
[Financial ratios (Non-Financial Sector)]

About the Company
Softtech Engineers Private Limited (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. The major customers of the company in the government sector including municipal corporations, public works departments, Confederation of Real Estate Developers' Association of India (CREDAI) etc., while in the private sector it offers its services in the domestic as well as overseas market. SEPL has classified its products into three categories *(on the basis of its customers)*, namely, Government and large infrastructure companies (products – AutoDCR, PWIMS, PreDCR), Construction enterprises & real estate companies (products – Opticon Nano, opticon 360, Opticon Galaxy, QE – Pro) and Educational institutes (products – EDU – Plus suite, ELearning Suite).
The products developed by SEPL cater to the entire lifecycle of construction i.e. from planning a lay out, approval for the same, budgeting, area calculation, execution of plan, etc. Furthermore, the products for educational institutes cater to the need of e-learning for institutes.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: 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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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
Non-fund-based - ST-BG/LC	-	-	-	11.68	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - Cash Credit	LT	6.00	CARE BB+; Stable	-	1)CARE BB+ (26-Apr-16)	-	1)CARE BB+ (05-Mar-15) 2)CARE BB+ (13-Oct-14)
2.	Non-fund-based - BG/LC	ST	11.68	CARE A4+	-	1)CARE A4 (26-Apr-16)	-	1)CARE A4 (05-Mar-15) 2)CARE A4 (13-Oct-14)

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