

SEPTEMBER 14, 2015

CARE ASSIGNS 'CARE BBB/CARE A3+' RATINGS TO THE BANK FACILITIES OF VAKRANGEE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Fund-based	591	CARE BBB (Triple B)	Assigned
Short-term Bank Facilities - Non-fund-based	159	CARE A3+ (A Three Plus)	Assigned
Total Facilities	750 (Rupees Seven Hundred Fifty crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Vakrangee Limited (Vakrangee) take into account experienced promoter supported by strong management team. The ratings also considers the company's established track record of executing large orders of e-governance projects coupled with increasing diversification towards e-retail business. Furthermore, the ratings also take into account strong revenue growth along with stable margins and comfortable capital structure.

However, the rating strengths are constrained by the company's dependence on tender-based government projects, evolving stage of e-retail business with dependency on franchisee model, long working capital cycle and moderate liquidity position.

Going forward, the ability of the company to increase its scale of operation along with improvement in working capital cycle is the key rating sensitivity.

Background

Vakrangee, incorporated in 1990 is Capability Maturity Model Integration (CMMI) level 3 company. The company is an established player as systems integrator and IT-enabled solutions provider in the Indian e-Governance space with capabilities including Document Management system (DMS) and Printing Management system (PMS). Under PMS, Vakrangee provides variable colour data printing and other services. DMS involves inbound scanning, digitization and document life cycle management. The company has been associated with various mission mode projects under the National e-Governance Plan of India (NEGP) including Unique Identification Project (UID), Sarva Siksha Abhiyan (SSA), Public Distribution System (PDS), Rashtriya Swasthya Bima Yojana (RSBY). The company also operates Vakrangee Kendras where the company provides integrated service including e-governance programme, Banking, Financial services and Insurance (BFSI), e-commerce services to citizen of India. As on shareholding pattern of June 30, 2015, the company has equity investments from key institutional investors including LIC (7.07%) and Janus Overseas Fund (1.52%).

Vakrangee reported a net profit of Rs.321.84 crore on a total operating income of Rs.2,785.52 crore in FY15 as compared with net profit of Rs.175.20 crore on a total operating income of Rs.1,954.39 crore in FY14.

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

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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.

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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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