

Theorem India Private Limited: Reaffirmed

Name of the Instruments	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	6.50 (Enhanced from Rs.5.00 crore)	SMERA BB+/Stable (Reaffirmed)
Term Loan	1.50	SMERA BB+/Stable (Withdrawn)

SMERA has reaffirmed the rating of '**SMERA BB+**'(read as **SMERA double B plus**) on the Rs.6.50 crore bank facility of Theorem India Private Limited (Theorem). The outlook is '**Stable**'. Also, SMERA has withdrawn rating of '**SMERA BB+/Stable**' assigned to the abovementioned Rs.1.50 crore bank facility with immediate effect since the term loan has been fully paid off.

The reaffirmation takes into account the experienced management and strong financial risk profile. However, the rating continues to factor in the modest scale of operations and susceptibility of profit margins to the inherent cyclical in the information technology industry.

Update

Theorem benefits from its experienced management. Mr. Jay Kulkarni, Director possesses around three decades of experience in the information technology industry. The company's operating income rose by 35.23 per cent on y-o-y basis in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.73.06 crore compared to Rs.54.03 crore in the previous year. This has been largely due to increase in the revenues of the parent company since majority of its operations are carried out by Theorem. Further, Theorem has reported estimated operating income of around Rs.69.87 crore in FY2015-16. The company has low gearing (debt-equity ratio) of 0.15 times as on 31 March, 2015 and healthy net cash accruals of Rs.10.96 crore for FY2014-15. The adequate liquidity position is reflected in the average bank limit utilisation at 17 per cent for the past six months ended March, 2016.

However, the operating margins declined from 23.18 per cent in FY2013-14 to 20.94 per cent in FY2014-15 due to increase in overhead expenses.

Rating Sensitivity Factors

- Scalability of operations and sustainability of profit margin
- Efficient working capital management

Outlook-Stable

SMERA believes that Theorem will maintain a stable business risk profile over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers healthy growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profit margins.

About the Company

Theorem, incorporated in 2002 is a Bengaluru-based company promoted by Mr. Jay Kulkarni. A subsidiary of the US-based Theorem INC, the company provides online media operations, reporting and analytical services to its parent entity.

For FY2014-15, Theorem reported profit after tax (PAT) of Rs.7.22 crore on operating income of Rs.73.06 crore, as compared with PAT of Rs.6.71 crore on an operating income of Rs.54.03 crore in FY2013-14.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating Assigned For		Rating/Outlook
			Long Term	Short Term	
05 Mar, 2015	Term Loan	1.50	SMERA BB+	-	Stable
	Cash Credit	5.00	SMERA BB+	-	Stable

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ABOUT SMERA

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