

Press Release

Theorem India Private Limited

08 November, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 7.50 Cr. (Enhanced from Rs. 6.50 Cr.)
Long Term Rating	SMERA BB+/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 7.50 crore bank facilities of Theorem India Private Limited. The outlook is '**Stable**'.

Theorem India Private Limited (TIPL), incorporated in 2002 is a Bengaluru-based company promoted by Mr. Jay Kulkarni. A subsidiary of the US-based Theorem INC, the company provides digital marketing, analytical services for its parent company.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Jay Kulkarni, the founder and CEO has three decades of experience in online marketing and analytics. Mr. Kulkarni is also the promoter and CEO of Theorem Inc., USA.

- **Healthy financial riskprofile**

The financial risk profile is healthy marked by net worth of Rs. 52.57 crore as on 31 March, 2017 (Provisional) as against Rs. 45.12 crore a year earlier. The gearing stood low at 0.15 times as on 31 March, 2017 (Provisional) compared to zero a year earlier. The Interest coverage ratio stood healthy at 27.06 per cent for FY2017 (Provisional). The DSCR is healthy at 2.00 times for FY2017 (Provisional) as against 1.67 times for FY2015. The net cash accruals of TIPL stood at Rs. 11.98 crore for FY2017 (Provisional) with no long term debt obligations. SMERA believes that the company will maintain a healthy financial risk profile over the medium term.

- **Healthy operating and PATmargin**

The company has reported healthy operating margins of 22.23 per cent for FY2017 (Provisional) as against 23.02 per cent for FY2016. The PAT margins are also healthy at 9.39 per cent for FY2017 (Provisional) as against 10.44 per cent for FY2016.

Weaknesses

- **Geographic concentrationrisk**

Around 80 per cent of the revenue of TIPL is derived from North America. Adverse trends in the online media industry in North America are expected to impact the financial risk profile and profitability of TIPL.

- **Competitive and fragmentedindustry**

TIPL faces intense competition from small and established players in the online media industry such as App Nexus, Media maths and Operative Media.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Theorem India Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that TIPL will maintain a stable outlook 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 Rated Entity - Key Financials

For FY2016-17 (Provisional), Theorem reported profit after tax (PAT) of Rs.7.18 crore on operating income of Rs.76.51 crore, compared with PAT of Rs.7.29 crore on operating income of Rs.69.85 crore in FY2015-16. The tangible networth stood at Rs. 52.27 crore as on 31 March, 2017 (Provisional) as against Rs. 45.12 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-Aug-2017	Cash Credit	Long Term	INR 6.5	SMERA BB+ / Stable (Reaffirmed)
13-Jun-2016	Cash Credit	Long Term	INR 6.5	SMERA BB+ / Stable (Reaffirmed)
	Term Loan	Long Term	INR 1.5	SMERA BB+ / Stable (Withdrawn)
05-Mar-2015	Term Loan	Long Term	INR 1.5	SMERA BB+ / Stable (Assigned)
	Cash Credit	Long Term	INR 5	SMERA BB+ / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50 (Enhanced from Rs. 6.50 Cr.)	SMERA BB+ / Stable (Reaffirmed)

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