

Press Release

Mindcraft Software Private Limited

July 04, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) on the Rs. 5.00 crore bank facilities of MINDCRAFT SOFTWARE PRIVATE LIMITED (MSPL). The outlook is 'Stable'.

Mindcraft Software Private Limited (MSPL) was established in 2002 under the directorship of Mr. Haresh Hirani, Mr. Hemant Nerurkar, Mr. Anuraag Gupta and Mr. Neeraj Manchanda. The company is engaged in software solutions and services offering integration solutions, business intelligence solutions and software infrastructure management services. Along with selling of IBM products.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the MSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by its Directors, Mr. Haresh Hirani, Mr. Hemant Nerurkar, Mr. Anuraag Gupta and Mr. Neeraj Manchanda who possess experience of more than two decades in service industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers.

- **Healthy profitability**

The operating margins of the MSPL stood healthy at 10.22 percent in FY2019 (Provisional) as against 9.38 percent in FY2018. Also, it has been on an increasing trend marked by 4.78 per cent in FY2016 and 6.80 per cent in FY2017. Further, the profit after tax (PAT) margin have also been on an increasing trend marked by 0.34 per cent in FY2016, 0.39 per cent in FY2017, 1.04 per cent in FY2018 and 2.96 per cent in FY2019 (Provisional).

Weaknesses

- **Stagnant scale of operations**

MSPL has reported modest revenue growth with compounded annual growth rate (CAGR) of around ~0.11 percent through the last four ended 31 March, 2019 (Provisional). The company reported revenue growth of ~0.78 percent with operating income of Rs.41.49 crore in FY2019 (Provisional) as against operating income of Rs.41.17 crore in FY2018. However, the company's strategy is to focus more on profitability and expand laterally in the existing clientele rather than increasing client base rapidly.

- **Average financial risk profile**

The financial risk profile is average marked by modest net worth and moderate debt protection measures and modest gearing. The net worth of the company is modest at Rs.6.11 crore as on 31 March, 2019 (Provisional) as against Rs.3.59 crore as on 31 March, 2018. The gearing of the company stood modest at 0.84 times as on March 31, 2019 (Provisional) as against 2.07 times as on March 31, 2018. Total debt of Rs.5.11 crore consists of term loan of Rs.0.09 crore, unsecured loans from Directors of Rs.2.73 crore and working capital facility of Rs.2.28 crore as on 31 March, 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.08 times as on 31 March, 2019

(Provisional) as against 5.27 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 3.25 times in FY2019 (Provisional) as against 2.29 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.53 times as on 31 March, 2019 (Provisional) as against 0.29 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.09 times in FY2019 (Provisional) as against 0.97 times in FY2018. Acuité believes that the financial risk profile of the company will remain average on account of moderate net cash accruals.

• **Intensive working capital operations**

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 148 days in FY2019 (Provisional) as against 129 days in FY2018. The debtor levels stood at 68 days in FY2019 (Provisional) as against 52 days in FY2018.

Liquidity Position:

MSPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.77-2.68 crore during the last four years through 2018-19 (Provisional). The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 148 in FY2019 (Provisional). This is on account of other current assets of Rs.8.68 crore as on 31 March, 2019 which majorly includes statutory dues refundable of Rs.3.87 crore and accrued revenue of Rs.4.29 crore. The company maintains unencumbered cash and bank balances of Rs.0.34 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 1.21 times as on March 31, 2019 (Provisional).

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the MSPL will maintain 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in MSPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	41.49	41.17	44.34
EBITDA	Rs. Cr.	4.24	3.86	3.01
PAT	Rs. Cr.	1.23	0.43	0.17
EBITDA Margin	(%)	10.22	9.38	6.80
PAT Margin	(%)	2.96	1.04	0.39
ROCE	(%)	27.53	20.42	13.16
Total Debt/Tangible Net Worth	Times	0.84	2.07	1.30
PBDIT/Interest	Times	3.25	2.29	2.03
Total Debt/PBDIT	Times	1.12	1.86	2.26
Gross Current Assets (Days)	Days	148	129	100

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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