

Press Release

Mindcraft Software Private Limited

July 14, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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**'.

Incorporated in 2002, Mindcraft Software Private Limited (MSPL) is engaged in software solutions and services offering integration solutions, business intelligence solutions and software infrastructure management services. The day to day operations are managed by its directors, Mr. Haresh Hirani, Mr. Hemant Nerurkar, Mr. Anuraag Gupta and Mr. Neeraj Manchanda.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experience management**

The company is promoted by its directors Mr. Haresh Hirani, Mr. Hemant Nerurkar, Mr. Anuraag Gupta and Mr. Neeraj Manchanda, who have experience of more than two decades in the service industry. The extensive experience has enabled the company to forge healthy relationships with customers like Birla Sunlife Insurance, BNP Paribas, Cipla, HDFC Bank, ICICI Bank, ICICI Prudential Life Insurance, Kotak Bank, The Bombay Stock Exchange, Yes Bank, to name a few.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers.

- **Healthy profitability**

The operating margins stood healthy at 9.46 percent (Provisional) in FY2020 as against 10.51 percent in FY2019 and 9.38 per cent in FY2018. Further, the profit after tax (PAT) margin has been on an increasing trend marked by 2.28 per cent (Provisional) in FY2020, 2.08 per cent in FY2019 and 1.04 per cent in FY2018.

Acuité believes that the profitability of the company for the FY2021 might get impacted due to COVID-19.

Weaknesses

- **Stagnant scale of operations**

MSPL has reported a decline in revenue marked by Rs.37.82 crore (Provisional) in FY2020 as against Rs.34.47 crore in FY2019 and Rs.41.17 crore in FY2018. This is major because of the marginal decline in revenues of non-core business of the company.

Acuité believes that the scale of operations of the company might get affected due to COVID-19 for the FY2021. This is major because of the expectations of less sells in non-core business and no increase in escalation charges in the annual maintenance contracts.

- **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.7.63 crore (Provisional) as on 31 March, 2020 as against Rs.5.60 crore as on 31 March, 2019. The gearing of the company stood at 0.86 times (Provisional) as on March 31, 2020 as against 0.87 times as on 31 March, 2019. Total debt of Rs.6.59 crore consists of a term loan of Rs.0.01 crore, unsecured loans from financial institutions Rs.1.95 crore and working capital facility of Rs.4.63 crore (Provisional) as on 31 March, 2020. Total

outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.24 times (Provisional) as on 31 March, 2020 as against 2.43 times as on 31 March, 2019. Interest Coverage Ratio (ICR) improved to 3.81 times (Provisional) in FY2020 from 2.83 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.35 times (Provisional) as on 31 March, 2020 as against 0.45 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) deteriorated to 1.48 times (Provisional) in FY2020 from 1.83 times in FY2019.

• **Intensive working capital operations**

The company has intensive working capital operations marked by high Gross Current Assets (GCA) of 161 days (Provisional) in FY2020 as against 118 days in FY2019. This is majorly due to increase in debtor days from 30 in as on March 31, 2019 to 61 (Provisional) as on March 31, 2020. Further, reliance on the working capital facility is high marked by full utilisation of working capital facility for the period of 6 months ending May, 2020.

Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the nature of the business.

Liquidity Position: Adequate

MSPL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.01 to 2.29 crore during the last three years through 2018-20 (Provisional) as against its loan repayment of around Rs.0.55 to 1.25 for the same period. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 161 (Provisional) in FY2020. The current ratio of the company stands moderate at 1.16 times (Provisional) as on March 31, 2020.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate 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 on the back of management experience in the aforementioned industry. The outlook may be revised to 'Positive' if there is a 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.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability margins.
- Deterioration in financial risk profile and working capital operations of the company.

Material Covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	37.82	34.47
Profit after tax (PAT)	Rs. Crore	0.86	0.72
PAT margin	%	2.28	2.08
Total debt / Tangible Net worth	Times	0.86	0.87
PBDIT / Interest	Times	3.81	2.83

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jul-2019	Dropline Overdraft	Long Term	5.00	ACUITE BB-/Stable (Assigned)

*Annexure – Details of instruments rated

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

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About Acuité Ratings & Research:

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