



SMERA RATINGS LIMITED

Kumaran Systems Private Limited (KSPL)

**Rating
Rationale****February 10, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B-/ Stable (Assigned)
Term Loan	2.50	SMERA B-/ Stable (Assigned)
Cash Credit (Proposed)	1.50	SMERA B-/ Stable (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as **SMERA B minus**) to the above mentioned bank facilities of Kumaran Systems Private Limited (KSPL). The outlook is '**Stable**'. The rating is constrained by the company's stressed liquidity evident from high working capital limit utilisation and elongated receivables. The rating also takes note of the stagnancy in revenue growth in the past three years ended FY2014-15 (refers to financial year April 01 to March 31), declining profitability and exposure to forex fluctuation risk in the absence of hedging policy. However, these risks are partially mitigated by KSPL's experienced management.

Rating Sensitivity Factors

- Revenue scalability and profitability
- Effective working capital management
- Future capex plans and its funding

Outlook: Stable

SMERA believes that KSPL would continue to derive benefit from the experienced management and the established operational track record. The outlook maybe revised to 'Positive' in case of healthy increase in the scale of operations and profitability while maintaining effective working capital management. Conversely, the outlook maybe revised to 'Negative' in case of deteriorated financial risk profile on account of fall in net cash accruals or stretched liquidity arising out of stressed working capital management.

About the Company

Incorporated in 1999, KSPL is a Chennai-based software development company engaged in rendering services related to technology solutions, high end consulting, system integration, infrastructure management and business process outsourcing solutions.

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Kumaran Systems Private Limited (KSPL)

*Rating
Rationale*

For FY2014-15, KSPL reported PAT of Rs. 0.28 crore on total revenue of Rs.30.60 crore as against PAT of Rs.1.22 crore on total revenue of Rs.33.64 crore in FY2013-14.

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