

Press Release

Corpus Software Private Limited (CSPL)

10 October, 2017



Rating Reaffirmed

| | |
|-------------------------------------|---------------|
| Total Bank Facilities Rated* | Rs. 11.00 Cr. |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 11.00 crore bank facilities of Corpus Software Private Limited (CSPL).

Corpus Software Private Limited (CSPL), is a Hyderabad-based company engaged in software development and sale of STB middleware solution – MediaStack. The company was promoted by Mr. Sachendra Tummala, CEO and Director, Mr. Sanjiv Kumar Tandon, Chief Financial Officer and Director.

List of Key Rating Drivers and their detailed description

Strengths

- **Established track record of operations**

CSPL was incorporated in 1999. The company provides IT solutions and services related to digital media entertainment, embedded systems and business analytics for telcos, DTH operators and others. The offices are spread across America, Europe, Middle East to name a few.

- **Experienced and qualified management**

The company is led by Mr. Tummala who has over 30 years of experience in the IT industry and Mr. Tandon, with more than 15 years of experience in finance and accounts.

- **Healthy revenue growth**

CSPL reported operating income of Rs.47.80 crore in FY2017 (Provisional) as against Rs. 41.70 crore in FY2016. This is mainly on account of increase in demand for solutions and services related to digital media entertainment. Further, CSPL reported YTD revenue of Rs.11.83 crore from April 2017 to June 2017.

- **Moderate financial risk profile**

CSPL's financial risk profile is moderate marked by comfortable gearing of 0.50 times as on 31 March, 2017 (Provisional) as against 0.55 times in the previous year. The Interest Coverage Ratio (ICR) and DSCR stood at 4.05 times and 2.41 times respectively for FY2016-17 (Provisional) as against ICR of 4.43 times and DSCR of 4.09 times in FY2015-16. The ROCE stood at a moderate 6.54 percent for FY2016-17 (Provisional) compared to 6.75 percent for FY2015-16. The operating margin registered a decline from 11.40 percent in FY2015-16 to 10.56 percent in FY2016-17 (Provisional).

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with working capital cycle days of 131 in FY2016-17 (Provisional) as against 141 in FY2015-16. This is due to stretched receivable days of 156 for FY2016-17 (Provisional) compared to 174 for FY2015-16.

- **Low profitability**

The PAT margin stood low at 0.92 percent for FY2017 (Provisional) as against 1.31 percent in FY2015-16 owing to high employee cost.

- **Stiff competition**

The company is exposed to intense competition from established players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), CSPL reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.47.80 crore compared with PAT of Rs.0.55 crore on operating income of Rs.41.70 crore in FY2015-16. The net worth stood at Rs.22.22 crore as on 31 March, 2017 (Provisional) as against Rs.19.32 crore a year earlier.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in Service 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. Cr.) | Ratings/Outlook |
|---------------|-------------------------------|------------|------------------|----------------------|
| 20-July, 2016 | Packing Credit | Short Term | INR 7.00@ | SMERA A4+ (Assigned) |
| | Letter of Credit | Short Term | INR 0.50# | SMERA A4+ (Assigned) |
| | Packing Credit (Proposed) | Short Term | INR 3.00 | SMERA A4+ (Assigned) |
| | Letter of Credit (Proposed) | Short Term | INR 0.50 | SMERA A4+ (Assigned) |

@Includes sub-limit of Open Cash Credit to the extent of Rs.4.00 crore.

#Interchangeable with bank guarantee.

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|---------------------------|------------------|----------------|----------------|-------------------------------|------------------------|
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 [^] | SMERA A4+ (Reaffirmed) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 1.00 ^{^^} | SMERA A4+ (Reaffirmed) |
| Packing Credit (Proposed) | Not Applicable | Not Applicable | Not Applicable | 1.00 | SMERA A4+ (Reaffirmed) |

[^]Includes sub-limit of Open Cash Credit to the extent of Rs.6.00 crore.

^{^^}Interchangeable with bank guarantee

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ABOUT SMERA

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