



Press Release
Corpus Enterprises Private Limited
October 16, 2018
Rating Reaffirmed and Assigned

Total Bank Facilities Rated	Rs.11.00 crore
Long Term Rating	ACUITE BB+/ Stable (Assigned)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BB+' (read as ACUITE double B plus)** and reaffirmed the short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.11.00 crore bank facility of Corpus Enterprises Private Limited (CEPL). The outlook is **'Stable'**.

Incorporated in 1999, Corpus Enterprises Private Limited (CEPL) was promoted by Mr. Tummala Sachendra and Mr. Sanjiv Kumar Tandon. While incorporation in 1999, entity was registered as Corpus Software Private Limited and later in January, 2018 entity has changed the name to CEPL. CEPL is engaged in the activity of providing Media & Entertainment solutions like cross platform applications across Television, PC and mobile.

Incorporated in 2016, Kalpin Electronix Private Limited (KEPL) is a Hyderabad based company engaged in design and development of set top boxes. KEPL is promoted by Directors Mr. Tummala Sachendra and Mr. Sanjiv Kumar Tandon. KEPL started business operations from May 2018 onwards. KEPL imports the key components from overseas, and get the same assembled through contract manufacturers and supplies to CEPL.

The reaffirmation of the rating reflects sustenance of the revenue growth coupled with the operational support from KEPL, while maintaining the capital structure. However, rating is partly constrained by high receivable days, and uneven trend in operating margins while being competitive in tender based business.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Corpus Enterprises Private Limited and Kalpin Electronix Private Limited (herewith referred as the group) to arrive at the rating. The consolidation was on account of common management and significant amount of operational linkages.

Key Rating Drivers

Strengths

• **Experienced Management and established track record of operations**

CEPL was incorporated in the year 1999 and is a Bangalore-based company promoted by Mr. Sachendra Tummala. The founder & CEO Mr. Sachendra Tummala, has completed his graduation from SMU Cox School of Business, Dallas, Texas having earned an Executive MBA and has over 30 years of experience in IT industry. Mr. Sanjiv Kumar, Chief Financial Officer is a Chartered Accountant having more than 15 years of experience in the field of Finance & Accounts in different organisations mainly in IT and related sectors. Entity has operations in India, USA and South Africa.

CEPL has reported healthy revenue growth at compound annual growth rate (CAGR) of around 18.75% for the period from FY 2015 to FY 2018. CEPL has reported operating income of Rs. 60.18 crore in FY 2018 (provisional) as against Rs. 47.80 crore in FY 2017. This is mainly on account of diversification of its customer base and increase in demand for solutions from Domestic Digital Entertainment Industry. Entity has good contractual relationship with Andhra Pradesh State Fibernet Limited (APSFL) and Telecommunications Consultants India (TCIL); the group has secured an order for supply of set top boxes of about 20 per cent of total requirement of APSFL an indicative order value of about Rs.40 crores. The company also entered into MOU with TCIL for supply and installation of customer-provided equipment (CPE) and Internet Protocol Television (IPTV) along with related hardware and software. Apart from supplies to APSFL and TCIL, KEPL is developing other HD and SD set top boxes which will be sold to the cable operators in Andhra Pradesh. Acuite believes that confirmed order and MOU is expected to support in the revenue visibility for the group over the medium term.

• Comfortable Financial Risk Profile

The financial risk profile of the group is marked by moderate net worth, healthy gearing (debt-to-equity) and comfortable debt protection metrics. The net worth is moderate at Rs.27.40 crore as on 31 March, 2018 (Provisional) against Rs.22.09 crore in 31 March, 2017. Gearing is healthy at 0.49 times as of March 31, 2018 (Provisional) vis-à-vis 0.51 times as of March 31, 2017. CEPL's cash accruals are comfortable at about Rs.3.36 crores in FY2018, and the same are likely in the range of Rs.6 – 8 crores over the medium term; against which its repayment obligations are marginal of about Rs.0.23 crores. As the supplies are to Govt owned entities, the operations are working capital intensive resulted in high utilisation of bank lines at about 97 per cent over 6 months through Aug, 2018. The debt protection metrics are comfortable with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) of 4.30 times and 3.97 times respectively for FY2018 (Provisional). As there is no significant capex envisaged over the medium term and with improving revenues and diversified product portfolio of the group, Acuite believes that the financial risk profile is expected to improve over the medium term.

Weaknesses

• Intense Working Capital Requirements

The operations are working capital intensive as evident from Gross Current Asset (GCA) days of 251 as on March 31, 2018 (Provisional). The working capital is majority in the form of debtors, since the company majorly serves government players such as APSFL and TCIL, wherein the realisation period tends to be high; this results in high utilisation of bank lines. Acuite believes that with the expected growth in revenues at about 15-20 percent over the medium term, the operations continues to be working capital intensive.

Outlook: Stable

ACUITE believes that the group will maintain a Stable outlook over the medium term on account of the management's experience and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in its revenues while diversifying its revenue concentration and maintaining its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	60.18	47.80	41.70
EBITDA	Rs. Cr.	4.76	5.23	4.75
PAT	Rs. Cr.	0.75	0.31	0.55
EBITDA Margin	(%)	7.92	10.95	11.40

PAT Margin	(%)	1.24	0.65	1.31
ROCE	(%)	5.84	6.11	6.75
Total Debt/Tangible Net Worth	Times	0.49	0.51	0.55
PBDIT/Interest	Times	4.30	3.97	4.43
Total Debt/PBDIT	Times	2.79	2.10	2.13
Gross Current Assets (Days)	Days	251	228	251

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
10-Oct-2017	Packing Credit	Short Term	9.00*	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Proposed Packing Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
20-Jul-2016	Packing Credit	Short Term	7.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	0.50	ACUITE A4+ (Assigned)
	Proposed Packing Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	0.50	ACUITE A4+ (Assigned)

* PC/PCFC includes sub-limit of OCC/ODBD of Rs. 6.00 crore.

*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*	ACUITE BB+/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

* PC/PCFC includes sub-limit of OCC/ODBD of Rs. 6.00 crore.

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About Acuité Ratings & Research:

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