

Press Release

Drivestream India Private Limited

March 29, 2017

Rating Assigned

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

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as SMERA BB) on the Rs. 5.00 crore bank facilities of Drivestream India Private Limited. The outlook is '**Stable**'.

Drivestream India Private Limited (DIPL) incorporated in 2002, is a Chennai-based company promoted by Mr. Gopal Damodar Krishna. The company provides IT consulting, maintenance and upgradation services. Drivestream Inc. is a US based company that provides management and IT Consulting services. DIPL is a service partner for Oracle and undertakes job work for various companies.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

DIPL was established in 2002. The Directors, Mr. Gopal Damodar Krishna, Mr. G. Karthikeyan, Mr. P. Damodaraswamy and others possess more than a decades experience in software consulting.

- Healthy financial risk profile**

The company has a healthy financial risk profile marked by moderate net worth of Rs. 9.71 cr and gearing (Debt-Equity Ratio) of 0.30 times as on 31st March, 2016 compared to net worth of Rs. 5.51 cr and gearing of 0.53 times as on 31st March 2015. The coverage indicators are comfortable and stood at 11.86 per cent in FY2016. The DSCR stood at 7.25 per cent in FY2016.

- Improvement in operating margins**

The operating margin improved to 20.31 per cent in FY2015-16 from 13.94 per cent in FY2014-15 on account of decline in employee cost during the year. The net profit margin improved to 10.25 per cent in FY2015-16 from 5.93 per cent in FY2014-15.

- Reputed clientele**

Drivestream Inc outsources 100 percent of its work to DIPL. The latter's reputed client list includes Bank of America, Rabobank, PNC Bank and JP Morgan Chase.

Weaknesses

- Moderate scale of operations**

The scale of operations of DIPL is modest despite having been in the software industry for the last 16 years. The company achieved operating income of Rs. 21.94 cr in FY2015-16 as against Rs.16.00 cr in FY2014-15.

- Competitive and fragmented industry**

The company faces intense competition from several players in the software services industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case it registers strong growth in revenue while achieving sustained improvement in profitability leading to an improved business risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue and net cash accruals or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016, DIPL reported profit after tax (PAT) of Rs.2.25 cr on operating income of Rs.21.94 cr as compared to PAT of Rs.0.95 cr on operating income of Rs.16.00 cr in the previous year. The net worth stood at Rs.9.71 cr as on March 31, 2016 against Rs.5.51 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable

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