

Press Release

Drivestream India Private Limited

April 14, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE BB- Withdrawn

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs. 5.00 crore bank facilities of DRIVESTREAM INDIA PRIVATE LIMITED (DIPL). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating and on account of request received from the company and NOC received from the banker.

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 and is an associate entity of DIPL. The company is a service partner for Oracle and undertakes job work for various companies.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the DIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

DIPL was established in 2002. The directors, Mr. Gopal Damodar Krishna, Mr. Bhanumurthy, Mr. R Damodaraswamy and others have more than a decade of experience in software consulting and services. DIPL's major revenue is generated from Drivestream Inc, USA which is an associate entity of DIPL. Drivestream Inc's clientele includes Bank of America, JP Morgan Chase and PNC Bank among others. Apart from Drivestream Inc, DIPL has its own clientele in domestic front which includes Wipro Limited, Mphasis Limited and Oracle India Private Limited among others.

- **Improvement in profitability**

The operating profitability improved to 17.51 percent in FY2019 from 15.27 per cent in FY2018. It has further stood at 16.49 per cent for the period April to December, 2019 (Provisional). Further, the net profitability improved to 10.35 percent in FY2019 from 8.19 in FY2018. It further stood at 16.56 per cent for the period April to December, 2019 (Provisional).

- **Moderate financial risk profile:**

The financial risk profile of the company is moderate marked by moderate net worth, healthy debt protection measures and low gearing. The tangible net worth stood at Rs.15.91 crore as on 31 March, 2019 (PY: Rs.13.48 crore). The gearing improved to 0.17 times as on 31 March, 2019 (PY: 0.34 times). The total debt of Rs.2.65 crore outstanding as on 31 March, 2019 comprises of Rs.0.05 crore secured term loans from the bank and Rs.2.60 crore as working capital borrowings. The interest coverage ratio improved to 8.66 times in FY2019 (PY: 6.15 times). DSCR improved to 6.19 times in FY2019 (PY: 4.57 times). The total outside liabilities to tangible net worth (TOL/TNW) improved to 0.27 times as on 31 March, 2019 (PY: 0.47 times). The net cash accruals stood at Rs.2.74 crore in FY2019 as against Rs.2.22 crore in FY2018.

Weaknesses

- **Modest scale of operations**

The revenues of the company stood modest at Rs.23.49 crore in FY2019 as against Rs.23.73 crore in FY2018. Further, the company has registered revenues of Rs.21.84 crore for the period April to December, 2019 (Provisional).

- **Highly competitive and fragmented industry**

The software consulting and services industry is highly competitive and fragmented marked by presence of many organised and unorganised players in this industry, thus putting pressure on the profitability margins of the company.

Liquidity Position: Adequate

Company has adequate liquidity marked by healthy net cash accruals to meet its maturing debt obligations. It has generated cash accruals of Rs.2.18 to 2.74 crore during the last three years through 2017-19, while its maturing debt obligations were around Rs.0.02 crore over the same period. The working capital operations remained intensive marked by Gross Current Assets days (GCA) of 275 in FY2019. This is majorly because of the high debtor days which stood at 257 in FY2019 as against 267 in FY2018.

Material Covenants

None

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	23.49	23.73
PAT	Rs. Cr.	2.43	1.94
PAT Margin	(%)	10.35	8.19
Total Debt/Tangible Net Worth	Times	0.17	0.34
PBDIT/Interest	Times	8.66	6.15

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

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>
- Application of 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
19-Jul-2019	Cash Credit	Long Term	5.00	ACUITE BB- (Indicative)
10-May-2018	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Downgraded from ACUITE BB/Stable)
29-Mar-2017	Cash Credit	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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