

Press Release

Wysetek Systems Technologists Private Limited

July 20, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 14.00 crore bank facilities of Wysetek Systems Technologists Private Limited. The outlook is '**Stable**'.

Wysetek Systems Technologists Private Limited (WSTPL) established in 1990 as a partnership firm, was reconstituted as a private limited company in 1996. The company, promoted by Mr. Rajesh Mathkar and Mr. Cherian Thomas, is a channel partner for IBM, VMware, Hewlett Packard Enterprise, Dell EMC among others. The registered office is located at Goregaon, Mumbai.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Rajesh Mathkar and Mr. Cherian Thomas have over two decades of experience in the IT industry.

- **Growth in revenue**

The operating income of WSTPL increased to Rs. 119.96 crore in FY2017 (Provisional) from Rs. 82.61 crore in FY2016 registering YoY growth of 45.21 per cent. This was mainly on account of healthy orders received from channel partners. Further, as informed by the management, the company achieved revenue of ~Rs. 18.00 crore from period April 2017 to mid -June 2017.

- **Healthy financial risk profile**

WSTPL has moderate financial risk profile marked by healthy gearing and coverage indicators. The gearing (debt to equity ratio) stood at 0.87 times in FY2017 (Provisional) as against 1.09 times in FY2016. The Interest coverage ratio (ICR) stood at 4.36 times in FY2017 (Provisional) compared to 4.47 times in FY2016. However, the net worth stood low at 10.79 crore in FY2017 (Provisional) as against Rs. 9.48 crore in FY2016. However, going forward, the gearing is expected to deteriorate marginally due to debt funded capex.

Weaknesses

- **Consistent decline in profit margins**

WSTPL reported operating margin of 2.40 percent in FY2017 (Provisional) against 3.57 percent in FY2016 and 4.07 per cent in FY2015. The PAT margin stood at 1.07 per cent in FY2017 as against 1.02 per cent in FY2016 and 1.89 per cent in FY2015. The decline in profitability is due to stiff competition and increase in input cost as a per cent of sales.

- **Working capital intensive operations**

The operations of WSTPL are working capital intensive marked by high gross current assets (GCA) of 141 days in FY2017 as against 129 days in FY2016. The elongation is due to stretched debtors of 141 days in FY2017 (Provisional) as against 128 days in FY2016 and 95 days in FY2015. Thus, creditors have been stretched at 128 days for FY2017 (Provisional) as against 112 days for FY2016. The average BLU stands at 77.96 percent for the six months ended May 2017.

• Intense market competition

The company faces intense competition from other network partners of IBM, Dell and HP.

Analytical Approach

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

Outlook: Stable

SMERA believes that WSTPL will maintain a stable outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues, profitability and effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profit margins, capital structure or liquidity position. Higher than envisaged debt funded capex or working capital requirements may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, WSTPL reported Profit after Tax (PAT) of Rs.0.84 crore on total operating income of Rs.82.61 crore compared with PAT of Rs 0.81 crore on total operating income of Rs.42.82 crore in FY2014-15. The tangible net worth stood at Rs. 9.48 crore as on 31 March, 2016 as against Rs. 8.67 crore as on 31 March, 2015. Further, as per FY2017 Provisionals, sales stood at Rs. 119.96 crore.

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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	6.25	SMERA BB / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+

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