

Press Release

Legasis Services Private Limited (LSPL)

11 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 4.25 Cr.
Long Term Rating	SMERA A-/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of **'SMERA A-' (read as SMERA A minus)** on the Rs. 4.25 crore bank facilities of Legasis Services Private Limited (LSPL). The outlook is **'Stable'**.

The Mumbai-based Legasis Services Private Limited was promoted by Mr. Suhas Tuljapurkar. An IT-enabled legal support services company, LSPL offers integrated legal solutions to law firms and corporations globally with predominant focus on compliance, ethics and IPR.

Analytical approach:

SMERA has considered the consolidated financials of Legasis Services Private Limited (LSPL) and Legasis Consulting Services Private Limited (LCSPL) – hereinafter referred to as the Legasis Group. The consolidation is mainly on account of strong operational and financial linkages between the entities and common management.

Key rating drivers

Strengths

Experienced management and established presence in the legal and compliance solutions segment

Legasis Services Private Limited (LSPL), Legasis Consulting Services Private Limited (LCSPL) and LegaCS Corporate Services LLP (LCS) were incorporated in 2006, 2012 and 2016 respectively. The aforementioned companies constitute the Legasis group, promoted by Mr. Suhas Tuljapurkar, an MBA (Marketing), LL.B who possesses extensive experience in corporate law, intellectual property and technology law among others. The group is led by Mr. Arun Kulkarni (Chairman), Mr. Ramesh Sharma (Executive Director) among others with extensive experience in the industry.

The Legasis group has a dedicated team of lawyers and IT developers with extensive experience in the industry and healthy relations with clients across sectors including automobile, pharmaceutical, IT, BFSI and education. The group caters to reputed companies such as Land Rover, Merck Limited, Tata Consultancy Services among others.

Healthy financial risk profile marked by healthy profitability

The financial risk profile is healthy marked by tangible net worth of Rs.18.98 crore as on 31 March, 2017 as against Rs. 16.97 as on 31 March, 2016. The gearing stood at 0.22 times as on 31 March, 2017 as against 0.09 times as on 31 March, 2016. The debt of Rs. 4.26 crore mainly consists of term loan of Rs. 2.50 crore and working capital borrowings of Rs. 1.60 crore as on 31 March, 2017.

The operating margins stood healthy at 25.64 percent in FY2017 as against 24.60 percent in FY2016 while PAT margins stood at 15.57 percent in FY2017 as against 15.26 percent in FY2016. The group has robust margins and healthy cash accruals which has helped it reduce dependence on external debt.

SMERA expects the financial risk profile to follow similar trends in the near to medium term in the absence of debt funded capex plans and addition of capital in the business.

Healthy growth prospects

With more and more companies entering the organised sector, the need for adhering to regulations will be higher. In such a scenario the growth prospects for the group are healthy.

Weaknesses

Working capital intensive operations marked by high debtor days

The operations of the group are working capital intensive marked by high GCA of 235 days in FY2017 compared to 222 days in FY2016. The GCA days are mainly dominated by debtor days of 136 days in FY2017 and 160 days in FY2016 since the group extends the credit period to the larger corporates such as the Tata, Adani groups among others. The Utilisation of the overdraft facility for the past three months has been ~95 percent. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Intensely competitive landscape

The legal compliance industry is mainly based on intellectual capital. Hence, the ability of the group to attract and retain the right talent will be essential to maintain quality of service provided to customers and to have competitive positioning. Similarly, considering the competitive landscape and emergence of various players offering similar solutions, the ability of the group to maintain a strong product pipeline offering new and innovative solutions to the clients will be essential for future growth prospects.

Outlook – Stable

SMERA believes that the Legasis Group will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity – Key Financials

The group reported profit after tax (PAT) of Rs. 6.87 crore on net sales of Rs. 44.12 crore in FY2017 as against PAT of Rs.5.79 crore on net sales of Rs. 37.96 crore in FY2016. The net worth stood at Rs. 18.98 crore as on 31 March, 2017 compared to Rs. 16.97 crore as on 31 March, 2016.

Any other information:

Not Applicable

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>

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

None

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. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A-/ Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA A-/ Stable

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ABOUT SMERA

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