

Press Release

Legasis Services Private Limited

March 11, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Promoted by Mr. Suhas Tuljapurkar, LSPL is incorporated in 2006, to provide IT-enabled legal support services. LSPL offers integrated legal solutions to law firms and corporations globally with predominant focus on compliance, ethics and Intellectual property rights. LSPL with its subsidiaries also has international presence with its offices in Pune, Hyderabad, Bangalore, Delhi, Mumbai and Singapore.

Legasis Consulting Services Private Limited (LCSPL) was incorporated in FY2012 as a wholly owned subsidiary of LSPL. LegaCS Corporate Services LLP (LCS) was incorporated in FY2016 (51% subsidiary of LSPL). In FY2017-18, LSPL has acquired three companies; Comply global cloud services Private limited (CGSPL), Comply global PTE limited (CGPL) and Ethics Research & Consulting Private Limited (ERCPL) as a wholly owned subsidiaries.

LSPL is operating through its subsidiaries LCSPL, CGSPL, CGPL, ERCPL; hereinafter referred to as the Legasis Group. The group collectively offers its services under the subsidiaries through some popular products such as Legatrix (Compliance solutions), Roznama (Litigation management solution), LIPs (Intellectual property Solutions), Legroom (virtual data room), Starboard and LarGST among others.

Analytical Approach

Acuité has considered the consolidated financials of LSPL, and its subsidiaries LCSPL, CGSPL, CGPL and ERCPL; hereinafter referred to as the Legasis Group. This is due to strong operational and financial linkages between the entities and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management and established presence in the legal and compliance solutions segment**
The Legasis group, promoted and founded by Mr. Suhas Tuljapurkar (LLB) possesses an extensive experience of four decades in corporate law, intellectual property and technology law and is also designated as Managing Partner, Legasis Partners, a renowned lawfirm.

The group is led by Mr. Arun Kulkarni (Co-founder and Chairman) having extensive experience in general management, operations and regulatory compliances; and Mr. Ramesh Sharma (Executive Director) with extensive experience in the industry. Legasis group has a dedicated team of lawyers and IT developers with extensive experience in the industry and healthy relations with its clients across sectors including automobile, pharmaceutical, IT, BFSI and education.

Acuité believes Legasis group will continue to benefit from its experienced management and its ability to cater to reputed clients across the globe.

- Healthy financial risk profile marked by healthy profitability**

LSPL has healthy financial risk profile marked by healthy networth, low gearing and healthy debt protection measures. LSPL's networth stood at Rs. 44.46 Crore as on March 31, 2018 as against Rs. 26.25 Crore as on March 31, 2017. This is mainly on account of acquisition of CGSPL, CGPL and ERCPL in FY 2018.

The company has followed a conservative financial policy as reflected by its peak gearing (Debt to Equity) of 0.16 times over the last three years through 2017-18. The gearing of the company has further improved to 0.15 times as on March 31, 2018. The Debt to EBITDA is healthy at 0.62 times as on March 31, 2018 as compared to 0.37 times as on March 31, 2017. Total debt of Rs. 6.57 crore mainly consists of long term borrowings of Rs. 2.72 crore and working capital borrowings of Rs. 3.85 crore as on March 31, 2018. Total outside liabilities to tangible net worth (TOL/TNW) stood at 0.45 times as on March 31, 2018 and 0.54 times as on March 31, 2017.

Acuité believes the financial risk profile to follow similar trends in the near to medium term in the absence of debt funded capex plans.

The operating margins stood healthy at 33.32 percent in FY2018 as against 25.89 percent in FY2017 while PAT loss of Rs. 0.85 crore against PAT of Rs. 6.87 crore in FY2017. PAT losses were mainly on account of written off of an exceptional item. The group has robust operating margins and healthy cash accruals which has helped it to reduce its dependence on external debt. LSPL has healthy growth prospects reflected by reputed clientele profile includes TATA group companies, Adani group companies, Procter & Gamble, Asian electronic, Mylan Pharmaceuticals, NSE among others.

Acuité believes with an increasing number of companies entering the organized sector; the need for adhering to regulations by such companies will be higher that augurs well for the group.

Weaknesses

- **Working capital intensive operations marked by high debtor days**

The operations of the group are working capital intensive marked by high GCA of 271 days in FY2018 compared to 236 days in FY2017. The GCA days are mainly dominated by debtor days of 201 days in FY2018 and 136 days in FY2017. Also, the average utilisation of working capital facility for the past six months has been ~86.67 per cent ended January 2019.

Acuité 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 the intellectual capital. Hence, the ability of the group to attract and retain the right talent will be essential to maintain the 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.

Liquidity Position

The company has adequate inflows over the expected outflows. It maintains favourable liquidity position with its long term borrowings repayable over 2-5 years' time. Though, the working capital utilization is ~86.67 per cent for the last six months ended January 2019; it generates healthy net cash accruals to support its working capital requirements.

Outlook: Stable

Acuité believes that 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

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 31.61 | 44.12 | 37.96 |
| EBITDA | Rs. Cr. | 10.53 | 11.42 | 9.34 |
| PAT | Rs. Cr. | -0.85 | 6.87 | 5.79 |
| EBITDA Margin (%) | (%) | 33.32 | 25.89 | 24.60 |
| PAT Margin (%) | (%) | -2.68 | 15.57 | 15.26 |
| ROCE (%) | (%) | 21.79 | 40.64 | 49.77 |
| Total Debt/Tangible Net Worth | Times | 0.15 | 0.16 | 0.08 |
| PBDIT/Interest | Times | 15.40 | 29.75 | 99.74 |
| Total Debt/PBDIT | Times | 0.62 | 0.37 | 0.16 |
| Gross Current Assets (Days) | Days | 271 | 236 | 222 |

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>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-------------------------------|
| 11-Dec-2017 | Term Loan | Long Term | INR 2.50 | ACUITE A- / Stable (Assigned) |
| | Secured Overdraft | Long Term | INR 1.75 | ACUITE A- / 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 |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 2.30 | ACUITE A- / Stable (Reaffirmed) |
| Secured Overdraft | Not Applicable | Not Applicable | Not Applicable | 1.75 | ACUITE A- (Withdrawn) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.95 | ACUITE A- / Stable (Assigned) |

Contacts

| Analytical | Rating Desk |
|---|---|
| Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |
| Ayushi Rathore Analyst - Rating Operations Tel: 02249294055 ayushi.rathore@acuiteratings.in | |

About Acuité Ratings & Research:

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