

Press Release

Designtech Systems Private Limited (Erstwhile Designtech Systems Lin

August 11, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.50.00 Cr.
Long Term Rating	ACUITE BB+ (Upgrade & Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and withdrawn the long term rating to '**ACUITE BB+ (read as ACUITE double B plus)**' from '**ACUITE BB (read as ACUITE double B)**' and reaffirmed and withdrawn the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.50.00 crore bank facilities of Designtech Systems Private Limited (DSPL).

The withdrawal is on account of request received from the company and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

The upgrade in rating is on account of the improved top line in Q1FY2022, increased yet uneven profitability margins, timely payment of debt obligations in the past seven months ended June, 2021 based on the bank statements and satisfactory feedback obtained from the banker.

About the company

The Pune based, Designtech Systems Private Limited (DSPL) was incorporated in February 1998 and is promoted by Mr. Vikas Khanvelkar and Mr. Sachin Chougule. The company is a product distributor of CAD software in India for many leading companies like PTC Inc., Altair Engineering etc. The company also is into product design, engineering services and is an authorized training partner for CAD and CAE software, catering to various government departments as well as private players. The company provides its services in the South, North as well as Western region of India. They have offices internationally in Hong Kong, Singapore a few other countries.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of DSPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and alliance with reputed brands**

The promoter of DSPL, Mr. Vikar Khanvelkar has an experience of around three decades in the information technology industry. The board of directors comprises of highly qualified and experienced personnel, which has supported the company to expand in the past 20 years. The company has a strong track record of its operations in providing technological excellence in the domain of CAD/CAM/CAE & PLM thereby bringing over 2200 customers in its base. DSPL is a leading distributor for reputed companies like PTC Inc., Altair Engineering, MathWorks and Stratasys. The company has also established excellence centres in Gujarat, Andhra Pradesh, Karnataka, Jharkhand and Tamil Nadu.

- Above average financial risk profile**

The above average financial risk profile of the company is marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company improved to Rs.59.43 crore as on 31st March, 2021 (prov.) against Rs.56.62 crore as on 31st March, 2020. The gearing stood below unity at 0.09 times in FY2021 (Prov.) against 0.16 times in FY20. The total debt of the company comprises of Rs.5.13 Cr crore consists of long term borrowings from NBFC and bank as on March 31st, 2021 (Prov.). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.74 times as on 31st March, 2021 (prov.) as against 1.27 times

as on 31st March, 2020. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 3.56 times and Debt Service coverage ratio at 2.16 times as on 31st March, 2021 (prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.85 times as on 31st March, 2021 (prov.).

Weakness

- **Deteriorated top line with uneven profit margins**

The company has achieved a revenue of Rs.121.38 crores in FY21 (prov.) as compared to Rs.125.70 crores in FY20 and Rs.260.20 Cr in FY19. However, the company has achieved a net revenue of around Rs.61 crores till Jul'21 (prov.). The company's profitability margins have remained uneven since the last six years. The operating margin stood at 4.25 per cent in FY21 (prov.) as against 1.48 per cent in FY20 and 5.74 per cent in FY19. The PAT margin stood at 2.53 per cent in FY21 (prov.) as against 1.43 per cent in FY20 and 4.18 per cent in FY19. The margins of the company improved in FY21 on account of reduction in employee, selling and admin expenses due to Covid induced lockdowns.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive marked by high gross current asset (GCA) of 185 days in FY2021 (prov.) as against 248 days in FY2020. The GCA days are high due to high debtor period of 116 days in FY21 (prov.) as compared to 130 days in FY20, as the company deals with Govt. entities and hence the realization period is stretched. The inventory period stood comfortable at 15 days in FY21 (prov.) as against 31 days in FY20.

- **Dependency on government regulatory for decision making and high correlation with state budget**

The regular functioning for establishment of Excellence Centre is highly dependent on the legislative policies framed by the government bureaucrats which lead to delay in the decision making process causing complexity in the day to day operations. Excellence Centre is a strategic organization, funded by the state government; and is highly dependent upon budgetary allocations. The budgetary policies set for the state depends upon the state's economic condition which are variable due to several empirical factors. Therefore, the funding may differ on a yearly basis.

Rating Sensitivity

Not Applicable

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.4.38 crore in FY21 (prov.) against debt obligations of Rs.0.85 crore. The current ratio stood comfortable at 2.06 times as on March 31, 2021 (prov.) as compared to 1.57 times as on 31st March, 20. The cash and bank balances stood at Rs.13.16 Cr in FY21 (prov.) as compared to Rs.7.23 Cr in FY20. The fund based limit remained utilized at 23 per cent over seven months ended June, 2021. However, the company availed a Covid loan of Rs.2.00 Cr. The company's operations are working capital intensive marked by high gross current asset (GCA) of 185 days in FY2021 (prov.) as against 248 days in FY2020.

Outlook: Not Applicable

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	121.38	125.70
PAT	Rs. Cr.	3.07	1.80
PAT Margin	(%)	2.53	1.43
Total Debt/Tangible Net Worth	Times	0.09	0.16
PBDIT/Interest	Times	3.56	5.86

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-50.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	Ratings/Outlook
			(Rs. Crore)	
22-Jul-21	Cash Credit	Long term	20.00	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	Proposed Long Term Loan	Long term	25.00	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	Bank Guarantee	Short Term	5.00	ACUITE A4+ Issuer not co-operating*
23-Apr-20	Cash Credit	Long term	20.00	ACUITE BB+ (Downgraded from ACUITE BBB) Issuer not co-operating*
	Proposed Long Term Loan	Long term	25.00	ACUITE BB+ (Downgraded from ACUITE BBB) Issuer not co-operating*
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Downgraded from ACUITE A3+) Issuer not co-operating*
14-Feb-19	Cash Credit	Long term	20.00	ACUITE BBB/ Negative (Assigned)
	Term Loan	Long term	50.00	ACUITE Provisional A- (SO) (Withdrawn)
	Proposed Long Term Loan	Long term	25.00	ACUITE BBB/ Negative (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+ (Upgraded & Withdrawn)
Not Applicable	Proposed Long Term Loan	Not Available	Not Available	Not Available	25.00	ACUITE BB+ (Upgraded & Withdrawn)
State Bank of Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Sonal Modi Analyst - Rating Operations Tel: 033-66201215 sonal.modi@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.