

Press Release

Raksan Consulting Private Limited

May 14, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA B** (read as SMERA B)' on the Rs.6.00 crore bank facilities of Raksan Consulting Private Limited'. The outlook is '**Stable**'.

Raksan Consulting Private Limited (raksan), a Hyderabad-based company was incorporated in 2013 by Mr. Rakesh Naik. Raksan provides information technology enabled services (ITES). Further, it discovers, ideate, nurture, engineer and incubate/develop scalable SaaS platforms-in house. Raksan is developing products such as Moolya, Fieldeagles among others.

Key Rating Drivers

Strengths:

Experienced management and business model

Mr. Rakesh Naik (Founder & CEO) of raksan, who has an experience of over two decades in the Information Technology (IT) sector. Mr Naik was instrumental in building business product applications for one of the oldest software house way back to 1960's and particularly in database administration and in Oracle platform. With his experience in the IT industry, he promoted raksan in 2013 to develop or incubate scalable SaaS platforms. In house incubation include ideate, assign team members, providing infrastructure, technology expertise, IP registrations, domain knowledge, strategy planning and GTM services in-house.

Raksan is developing few products such as Moolya, Fieldeagles, Hcmsprint and mdmShield. Moolya is a digital platform that brings all players such as institutions, ideators, startups, investors, companies, service providers to a digitally connected market place. Fieldeagles is a SaaS platform providing automation solutions for enterprise field service management. The revenues come from monetising IP of the startups, profits of incubated companies, outsourced product development services, product subscription and other consulting and value added services. raksan has few renowned companies in its portfolio includes Aurobindo Pharma Ltd., Veritaz Health Care Limited, Hexaware Technologies Pvt Ltd among others.

SMERA believes that the promoter's rich experience in the IT industry will benefit the company in improving its business risk profile over the medium term.

Moderate financial risk profile

The financial risk profile of raksan is moderate marked by moderate gearing and total outside liabilities to total net worth (TOL/TNW). On provisional basis, the gearing (debt-to-equity) stood at 1.79 times and TOL/TNW stood at 2.44 times as on March 31, 2017. In FY2018, the promoters have brought in unsecured loans of about Rs.3.25 crore which deteriorated the gearing levels to about 3.1 times. However, SMERA believes that the same is expected to improve to about 1.0 time over the medium term supported by healthy accretion to reserves. The debt protection metrics of interest coverage ratio and net cash accruals to total debt are healthy at 5.9 times and 0.28 times respectively for FY2017.

The profitability margins are healthy, though volatile. On provisional basis for FY2018 and FY2017, the operating margins were at about 34 percent and 22.7 percent respectively, while FY2016, it was at 35.7 percent. Volatile margins are partly attributed to the products under development, which are charged off in the same year of spent.

SMERA believes that the financial risk profile of raksan continues to be moderate on the back of volatile profitability margins and modest scale of operations.

Weaknesses:

Working capital intensive operations

The operations are working capital intensive which is evident from the high receivable days over the past three years through FY2018. The receivable days are about 401 days in FY2018. On provisional basis, raksan reported revenues of about Rs.9.01 crore, against which its receivables are about Rs.9.9 crore as of March 31, 2018. Further, receivables of about Rs.2.00 crore are due for over six months. High receivables are partially attributed to billing in the second half of the financial year besides payments in milestone basis and at staggered intervals. The stretched cash flows resulted in high utilisation of its bank lines. The promoters' have brought in Rs.3.25 crore and Rs.1.56 crore in FY2018 and FY2017 respectively by way of unsecured loan.

SMERA believes that the operations of raksan continue to be working capital intensive on account of its new products, modest scale of operations, milestone and staggered payments.

Modest scale of operations

The revenues are modest at Rs.9.01 crore on provisional basis for FY2018. Though, its a significant improvement from Rs.2.24 crore in FY2016, still the revenues are at modest levels. Raksan is expecting the revenues to go up to above Rs.20.00 crore over the medium term backed by its products under development and existing products.

SMERA believes that raksan's revenue profile continue to be modest, while facing stiff competition from the established domestic and international players, and success of its products in the market would be a key rating sensitivity factor in the medium term.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of raksan Consulting Private Limited to arrive at the rating. The rating is based on the provisional financials shared by raksan for the FY2017 and FY2018.

Outlook – Stable

SMERA believes that raksan will maintain a 'Stable' outlook and continue to benefit over the medium term on account of the extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement and early realisation of its debtors while improving the revenues and maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in working capital cycle, or larger-than-expected debt-funded capital expenditure programme deteriorating the liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Prov)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	8.13	2.24	4.40
EBITDA	Rs. Cr.	1.85	0.80	0.30
PAT	Rs. Cr.	0.86	0.33	0.12
EBITDA Margin	(%)	22.73	35.76	6.78
PAT Margin	(%)	10.62	14.87	2.74
ROCE	(%)	28.39	21.00	20.14
Total Debt/Tangible Net Worth	Times	1.79	2.04	0.58
PBDIT/Interest	Times	5.95	6.42	56.55
Total Debt/PBDIT	Times	2.22	3.66	2.23
Gross Current Assets (Days)	Days	324	744	161

Applicable Criteria

- Service Sector - <https://www.smera.in/criteria-services.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of 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): Not Applicable

Any other information: Not Applicable

Rating History (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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B/Stable

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ABOUT SMERA

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