

Press Release

Tekwissen Software Private Limited

July 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE B/Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE Single B**) on the Rs.8.00 crore bank facilities of Tekwissen Software Private Limited (Tekwissen). The outlook is '**Stable**'.

Incorporated in 2011, Tekwissen Software Private Limited (Tekwissen) is a Vishakhapatnam based software Development Company. It offers technology solutions, high end consulting, system integration, web designing, software development, and Technology Staffing services to customers in India as well as outside India. It has three offices located at Visakapatnam, Surat and Bangalore. Tekwissen is a privately held company with Mr. Rajeev Kumar Senta and his brother, Mr. Manish Kumar Senta each holding 50 percent of the shareholding.

Key Rating Drivers:

Strengths:

Experience of the promoters in IT industry:

Incorporated in 2011, Tekwissen promoters both have nearly a decade of experience in the IT industry. The experienced management and more than a decade of presence helped the company in bagging reputed clientele like TekWissen LLC, StemXpert LLC, iScientia LLC (USA), MasterCard Technology Private Limited and MasterCard Mobile Transactions Solutions Pvt. Ltd. The association has helped the company in steady revenues at a compound annual growth rate of about 12.35 percent over four years through FY2018. Acuité believes that Tekwissen's business risk profile is expected to improve further supported by experienced management and healthy relations with its clientele.

Weaknesses:

Below Average financial profile:

The company's financial risk profile is marked by low net worth, high total outside liabilities to total net worth (TOL/TNW) though underpinned by moderate debt protection metrics and high gearing (debt-to-equity). Its net worth is modest at about Rs.1.00 crore (Provisional) as of March 31, 2018, which is low on account of modest accretion to reserves and low revenue profile in the past till FY2018 (Provisional). TOL/TNW is high at 4.68 times (Provisional) as of March 31, 2018. The gearing is high at 4.17 times as of March 31, 2018 (Provisional). The debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are moderate at 3.98 times and 0.15 times respectively for FY2018 (Provisional).

Acuité believes that the financial risk profile is expected to be at similar levels on the back of increasing revenue profile and continued investment on expansion over the medium term. The company is implementing moderate debt-funded capital expenditure (capex) programme of Rs.3.00 crore for interior decoration and purchase of computers to start operations in their own premises located at Industrial Park-Gambheeram in Visakhapatnam (Andhra Pradesh) in mid-2019. Acuité believes that despite the proposed capex, the financial risk profile is expected to be moderate over the medium term.

Modest scale of operations in an intensely competitive industry:

The IT industry is characterised by intense competition from large players enjoying benefits and higher bargaining power. With an operating income to the tune of Rs.6.39 crore in FY2018 (Provisional). Tekwissen has a relatively small scale of operations restricting its ability to secure large orders, limiting the scale benefits and bargaining power, which in turn affects its pricing flexibility. The company also remains susceptible to industry-specific risks, such as exchange-rate fluctuations and wage inflation.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Tekwissen to arrive at this rating.

Outlook: Stable

Acuité believes that the outlook on Tekwissen will remain 'Stable' over the medium term on account of the experience of the promoter in the IT industry and established relationship with its customers. The outlook may be revised to 'Positive' in case of significant growth in its revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any higher-than-expected debt-funded capital expenditure deteriorating its financial risk profile and its liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.16	4.39	4.01
EBITDA	Rs. Cr.	0.78	0.69	0.43
PAT	Rs. Cr.	0.61	(0.30)	0.06
EBITDA Margin (%)		15.09	15.66	10.75
PAT Margin (%)		11.91	(6.73)	1.48
ROCE (%)		13.00	16.91	57.49
TOL/Tangible Net Worth	Times	7.22	(404.85)	4.42
PBDIT/Interest	Times	2.49	4.16	1,002.38
Gross Current Assets (Days)	Days	70	174	69

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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