Press Release

Robosoft Technologies Private Limited

D-U-N-S® Number: 92-395-7000

October 10, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' **(read as ACUITE double B plus)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 12.00 crore bank facilities of ROBOSOFT TECHNOLOGIES PRIVATE LIMITED. The outlook is '**Stable**'.

Robosoft Technologies Private Limited (RTPL) was incorporated in 2000 by Mr. Rohith Bhatt. RTPL is engaged in designing and developing of mobile applications for various platforms such as iOS, Android and windows. The company has three branches in India, four in USA and one in Dubai.

Analytical Approach

Acuité has consolidated the business and financial risk profile of Robosoft Technologies Private Limited and its wholly owned subsidiary in USA i.e. Robosoft Technologies Inc. hereinafter referred to as Robosoft Group. The consolidation is in view of similar line of business and common ownership. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management and improving business risk profile**

  The group has established presence in the IT industry backed by more than two decades of extensive industry experience of promoters, Mr. Rohith Bhat, Mr. Sudheer Bhat, Mr. Purushotham Bhat and CEO, Mr. Ravi Teja Bommireddipalli. The group has established working relationships with top players of several industries such as Automobile, Banking, Food, Pharmaceutical and many more. The group has established wholly owned subsidiary 'Robosoft Technologies Inc.' in USA with intent to cater international clients.

  The operating income of the group has grown at a CAGR of 20 per cent for the period FY2017-FY2019. The revenues increased to Rs.73.96 crore in FY2019 from Rs.63.11crore in FY2018. This is mainly on account of increased number of contracts from existing as well as new customers. The operating and net profitability margins stood at 17.38 per cent and 12.82 per cent in FY2019 as compared to 13.46 per cent and 8.93 in FY2018 respectively. The group has an unexecuted order book position of around Rs.40.00 crore which are to be executed in next 5-6 months; hence, giving a revenue visibility over near term.

  Acuité believes that the group will sustain its existing business profile on the back of established presence within industry and promoter's vintage.

- **Healthy financial risk profile**

  The financial risk profile of the group stood healthy marked by healthy net worth, healthy debt protection metrics and coverage indicators. The healthy net worth is estimated at Rs.46.09 crore as on 31 March, 2019 as against Rs.36.50 crore as on 31 March, 2018. The increase in net worth is mainly on account of healthy accretion in reserves due to increasing profits. The group's healthy cash accruals to the tune of about Rs.11.01 crore have supported in minimising the reliance on external debt lead to healthy gearing and debt levels of 0.06 times and Rs.2.56 crore as on March 31, 2019. Group's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.12-17 crores which are comfortable to service its repayment obligations. As a result, the gearing is expected to remain low around 0.05 times as on March 31, 2021 on back of healthy accretion to reserves.

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Further, the coverage indicators stood healthy marked by Interest Coverage Ratio (ICR), which stood at 38.97 times for FY2019 as against 19.12 times for FY2018. Debt to EBITDA stood at 0.18 times in FY2019 as compared to 0.19 times in FY2018. Acuité believes that the financial risk profile of the group is expected to remain healthy backed by healthy net cash accruals and in the absence of any major debt funded capex in near to medium term.

Weaknesses

- **Intense competitive industry**

The IT 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, Acuité believes that the ability of the group to maintain a strong product pipeline offering new and innovative solutions to the new and existing clients will be essential for future growth prospects.

Liquidity Position: Adequate

The group has adequate liquidity position marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.11.01 crore for FY2019, while its maturing debt obligations were Rs.1.24 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.12-17 crores during 2020-22 against repayment obligation in the range of Rs.0.80-1.00 crores. The group's working capital operations are moderate marked by gross current asset (GCA) days of 131 days for FY2019. The group maintains unencumbered cash and bank balances of Rs.3.83 crore as on 31 March, 2019. The two private equity investors, Kalaari Capital and UTI Investment Advisory Service Limited, have invested around Rs.38.07 crore in the group. Moreover, they have completed their exit dead date and any sudden exit from these investors could have adverse implications on the liquidity profile.

Rating Sensitivities

- Substantial improvement in scale of operation and profitability margins over the medium term.
- Deterioration in capital structure on account of exit of private equity investors.

Material Covenants

None

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook maybe revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case elongated working capital cycle and higher dependence on external borrowings, which leads to deterioration in the group's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	73.96	63.11	51.10
EBITDA	Rs. Cr.	12.86	8.49	2.13
PAT	Rs. Cr.	9.48	5.64	0.31
EBITDA Margin	(%)	17.38	13.46	4.18
PAT Margin	(%)	12.82	8.93	0.61
ROCE	(%)	28.49	18.89	3.68
Total Debt/Tangible Net Worth	Times	0.06	0.05	0.42
PBDIT/Interest	Times	38.97	19.12	3.28
Total Debt/PBDIT	Times	0.18	0.19	3.79
Gross Current Assets (Days)	Days	131	110	154

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
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ / Stable

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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.