

Press Release

Robosoft Technologies Private Limited

February 04, 2020

Rating Upgraded & Assigned



Total Bank Facilities Rated*	Rs.40.00 Cr. (Enhanced from Rs.12.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+ / Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four B plus**) on the Rs.27.50 crore bank facilities and has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.12.50 crore bank facilities of Robosoft Technologies Private Limited. The outlook is '**Stable**'.

The upgrade is in view of sustenance of business and financial risk profile marked by healthy order book position of Rs.51.00 crore as on December 2019, which is to be executed within next 5-6 months providing revenue visibility for near to medium term. The upgrade draws comfort from healthy financial risk profile marked by healthy debt protection metrics.

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. Ravi Teja Bommireddipalli, Mr. Rohith Bhat and Mr. Sudheer Bhat. The group has established 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.63.11 crore in FY2018, and Rs.51.10 crore in FY2017. This is mainly on account of increased number of contracts from existing as well as new customers. Currently, the group has achieved revenue of Rs.55.00 crore till 30 November, 2019 (Provisional). 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.51.00 crore as on December, 2019, which are to be executed in next 5-6 months; 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.36.93 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 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 31 March, 2019. The 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. The group has plan of capital expenditure of Rs.9.08 crore, out of which term loans of Rs.5.50 crore has been sanctioned and rest is funded through internal accruals or promoter's contribution. The capital expenditure project is to be completed by March, 2020. As a result, the gearing is expected to remain low in the range of 0.20-0.25 times till March, 2020. Further, the coverage indicators stood healthy marked by Interest Coverage Ratio (ICR), which stood at 38.97 times for FY2019. Debt to EBITDA stood at 0.18 times in FY2019 as compared to 0.22 times in FY2018.

Acuite believes that the financial risk profile of the group is expected to remain healthy backed by healthy net cash accruals 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, Acuite 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 around 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.1-2.00 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 Sensitivity

- 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

Acuite 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)
Operating Income	Rs. Cr.	73.96	63.11
PAT	Rs. Cr.	9.48	5.64
PAT Margin	(%)	12.82	8.93
Total Debt/Tangible Net Worth	Times	0.06	0.05
PBDIT/Interest	Times	38.97	19.12

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

Not Applicable

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-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
10-Oct-2019	Cash Credit	Long Term	8.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB- / Stable (Upgraded from ACUITE BB+ / Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- / Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB- / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	19.00 (Revised from Rs.3.50 crore)	ACUITE BBB- / Stable (Upgraded from ACUITE BB+ / Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Upgraded from ACUITE A4+)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Simranjeet Kaur Rating Analyst Tel: 022-49294052 simranjeet.kaur@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuite Ratings & Research:

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