

Press Release

Taashee Linux Services Private Limited

September 04, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.10.00 crore bank facilities of Taashee Linux Services Private Limited (TLSPL). The outlook remains '**Stable**'.

Established in 2008, Taashee Linux Services Private Limited (TLSPL) was initially incorporated as a partnership firm by Mr. Abhishek Datt and Ms. M Nisha. Later in 2016, Mr. Rajeev Lakhanpal joined as an additional partner in the firm. In August, 2020 the partnership firm was converted into a private limited company with Mr. Lakhanpal and Mr. Datt as directors. The company is primarily involved in the trading business of Linux based software products along with I.T. consulting services and software development. The company has its registered office located at Hyderabad, Telangana and international office located in Singapore.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Extensive experience of the management in the software service industry**

The company is promoted by Mr. Rajeev Lakhanpal, Mr. Abhishek Datt, who have an experience of more than two decades in the software service industry. Along with the promoters, Mr. Manoj Kumar the chief operating officer of the company, also possesses more than a decade of experience in the said industry and handles the day to day operations of the TLSPL. The extensive experience of the promoters in the software service industry has helped the company to establish long term relationship with its customers and suppliers.

Acuité believes that TLSPL will continue to benefit from the promoter's established presence in the software service industry and its improving business risk profile over the medium term.

- **Modest scale of operations and profitability**

The company shows a modest scale of operations marked by operating income of Rs.127.50 crore in FY2019 as against Rs.91.10 crore in FY2018 and 78.47 crore in FY2016. Further, the company's revenue decline to Rs.115.88 crore in FY2020 (provisional) as they were unable to execute various orders in the month of Mar, 2020 due to COVID-19 pandemic. However, the operating profit margin of the company increased to 4.55 percent in FY2020 (provisional) compared to 3.58 percent in FY2019 on account of decline in other expenses. Further, the Profit after Tax (PAT) margin also increased to 2.33 percent in FY2020 (provisional) as against 1.66 percent in FY2019.

Acuité believes that the growth in revenue and sustenance of its profitability margins are expected to support the overall growth of the company.

- **Reputed clientele**

The products traded and serviced by the company find application in various industries including the banking industry, Information Technology (IT) industry, pharmaceutical industry etc. The company caters to reputed clientele including Infosys Limited, Tata Communications Limited, State Bank of India, ICIC Bank and Dr. Reddy's Laboratories Limited, to name a few.

Weaknesses

• Average financial risk profile

The financial risk profile of the company is marked by modest net worth of Rs.5.98 crore as on 31 March, 2020 (provisional) as against Rs.3.95 crore as on 31 March, 2019. The gearing (debt-to-equity) ratio stood high at 3.21 times as on 31 March, 2020 (provisional) compared to 4.04 times the same period last year. The total debt of Rs.19.19 crore consists of working capital borrowings of Rs.11.44 crore and unsecured loan of Rs.7.75 crore from financial institutions as on 31 March, 2020 (provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 10.72 times as on 31 March, 2020 (provisional) as against 14.85 times as on 31 March, 2019. Interest Coverage Ratio (ICR) marginally deteriorated and stood at 2.03 times in FY2020 (provisional) compared to 2.15 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on 31 March, 2020 (provisional).

Acuité believes that the financial risk profile of the company will continue to remain moderate over the medium term in the absence of any major future debt-funded capex.

• Working capital intensive operations

The working capital operations of the company remained intensive marked by high GCA days of 217 days in FY2020 (provisional) compared to 164 days in FY2019. The inventory and debtors days of the company stood at 22 days and 99 days in FY2020 (provisional) respectively. Subsequently, there was an increase in payables period from 116 days in FY2019 to 150 days in FY2020 (provisional) and also the firm gets 60-75 days of credit period from suppliers. The working capital limits are fully utilized in the last six months ended July, 2020.

Acuité believes that the ability of the company to efficiently manage its working capital requirements will remain a key rating sensitivity.

Liquidity position: Stretched

The company has stretched liquidity position marked by high gross current asset (GCA) days of 217 days in FY2020 (provisional) and high utilized working capital limits. Working capital requirement is funded through bank lines that have been fully utilized in the last six months ended July, 2020. The firm maintains unencumbered cash and bank balances of Rs.4.03 crore as on March 31, 2020 (prov.). The current ratio stands average at 1.20 times as on March 31, 2020 (provisional). Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account almost fully utilization of bank limits.

Rating Sensitivities

- Modest scale of operations with improvement in revenue growth and profitability margins
- Deterioration in working capital management leading to stretched liquidity

Material Covenants

None

Outlook: Stable

Acuite believes that TLSPL will continue to benefit over the medium term due to its established relations with its customers. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels while improving its capital structure by reducing its receivables. Conversely, the outlook may be revised to "Negative", if the company generates lower-than-anticipated cash accruals and maintain same liquidity position most likely as a result of the sharp decline in operating margins, or further stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	115.88	127.50
PAT	Rs. Cr.	2.58	2.12
PAT Margin	(%)	2.23	1.66
Total Debt/Tangible Net Worth	Times	3.21	4.04
PBDIT/Interest	Times	2.03	2.15

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

None

Any other information

None

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@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.