

## Press Release

### Suma Soft Private Limited

April 20, 2023

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BB+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

### Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 40.00 Cr bank facilities of Suma Soft Private Limited (SSPL). The outlook is 'Stable'.

#### Rating Rationale

The rating takes into cognizance the established track record of operations of the company of more than two decades in the IT industry and experienced management. The rating also factors in the healthy financial risk profile marked by strong debt protection metrics and sound business risk profile. The adequate liquidity position, as reflected in negligible fund based limit utilization, further supports the rating. These strengths are however partly offset by the intensive nature of its working capital operations and exposure of the group to intense competition in the IT industry.

#### About the Company

Incorporated in 2000, Suma Soft Private Limited (SSPL) is a leading IT solution provider and consulting company delivering deep expertise, objective insights and a tailored approach to help enterprises confidently face the future. Services provided by the company primarily include BPO Solutions, Software Development, QA Testing, Technical Support Services & IT Risk and Security Management. The company is promoted by Mr. Pramod Naralkar and Mr. Surendra Brahme.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

##### Healthy financial risk profile

The company's healthy financial risk profile is marked by modest net worth base, low gearing and strong debt protection measures. The tangible net worth of the company increased to Rs.55.17 Cr as on March 31, 2022 from Rs.43.76 Cr as on March 31, 2021 due to accretion of profits. Gearing of the company stood low at 0.76 times as on March 31, 2022. The Total

Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.18 times as on March 31, 2022 as against 0.34 times as on March 31, 2021. Moreover, the strong debt protection metrics is marked by Interest Coverage Ratio (ICR) at 34.62 times as on March 31, 2022 and Debt Service Coverage Ratio at 14.31 times as on March 31, 2022. The surge in earnings led to improvement in the credit protection metrics. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.29 times as on March 31, 2022. However, Acuite notes that the company has availed term loan to fund significant investment in the form of preference shares of unrelated business. But, going forward, Acuite believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

### **Long track record of operations and experienced management**

Incorporated in 2000, Suma Soft Private Limited (SSPL) has an established track record of over two decades in the IT/ITES services industry. SSPL's operations are guided by a strong management team of Mr. C. Manivannan, Mr. Anil Waychal, Mr. Rakesh Raskar and Mr. Milind Dharmadhikari with extensive experience in the IT industry, which has facilitated relationships with large clients in the domestic and international market and ensure repeat orders. Acuite derives comfort from the long standing management's experience.

### **Weaknesses**

#### **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high GCA days of Rs.149 days as on March 31, 2022 as against 138 days in the previous year. The high GCA days are mainly on account of unbilled revenue of Rs.5.70 Cr in FY2022. The unbilled revenue arose in FY2022 on account of increased turnover during the period. However, the debtor period reduced to 55 days as on March 31, 2022 as against 81 days in the previous year. Acuite believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism over the medium term.

#### **Highly competitive nature of the IT industry**

The global IT services industry is dominated by several large players and small niche technology players. Allied Group faces stiff competition from domestic as well as international IT service companies leading to intense margin pressure. The industry is highly technology oriented which keeps on changing time to time. Thus, the company has to keep upgrading the services it offers according to the needs of the clients and changes in the industry. However, the established relationship with clients and vendors, diversified geographical presence and experienced management mitigates the risk to some extent. Further, the ability of the company to manage industry specific risks such as wage inflation and employee attrition levels determine the companies' ability to sustain its business risk profile and will remain a key rating sensitivity.

### **Rating Sensitivities**

- Substantial increase in the operating revenue of the company while improving the profitability position.
- Further elongation of working capital operations of the company.
- Regular inflow of new projects and sustenance of old clients.

### **Material covenants**

None

### **Liquidity Position Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.12.07 Cr in FY2022 as against long term debt repayment of only Rs.0.38 Cr over the same period. Further, the company has almost unutilized credit limits for the last six months ended February 2023, indicating a considerable buffer from unutilised sanctioned limits. The unencumbered cash and bank balances of the company stood at Rs.8.30 Cr in FY2022 as compared to Rs.3.99 Cr

in FY2021. However, the current ratio stood moderate at 1.37 times as on 31st March, 2022 as compared to 2.03 times as on 31st March, 2021. Moreover, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 149 days in FY2022 as compared to 138 days in FY2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals and unutilised working capital limits.

### Outlook: Stable

Acuité believes that SSPL will continue to benefit over the medium term due to its "established market position and established relations with its customers, healthy financial risk profile and will maintain a 'Stable' outlook and benefit over the medium term from its promoters extensive industry experience. The rating outlook may be revised to 'Positive' in case of sustainable growth in revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' if the working capital cycle further deteriorates due to stretch in payment realisation from customers or if the company undertakes significant debt funded capex leading to deterioration in its financial risk profile, especially liquidity.

### Other Factors affecting Rating

None.

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	89.43	64.83
PAT	Rs. Cr.	11.42	8.24
PAT Margin	(%)	12.77	12.70
Total Debt/Tangible Net Worth	Times	0.76	(0.04)
PBDIT/Interest	Times	34.62	53.67

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History:

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Saraswat Cooperative Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	40.00	ACUITE BB+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:sakshi.seksaria@acuite.in">sakshi.seksaria@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.