



SMERA RATINGS LIMITED

# Powerweave Software Services Private Limited (Power Weave)

*Rating  
Rationale*

**September 30, 2013**

Instrument	Amount (Rs. Crore)	Ratings
Foreign Currency Term Loan	9.60	<b>SMERA B/Stable/Assigned</b>
Export Packing Credit	10.00	<b>SMERA B/Stable/Assigned</b>

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA B**) to Rs.19.60 crores long term facilities of Powerweave Software Services Private Limited (Power Weave). The outlook is '**Stable**'. The rating is constrained by the company's relatively small scale of operations in a highly competitive environment, weak financial risk profile and low profit margins. However, the rating derives support from the company's diversified service profile and experienced management.

Power Weave is a Mumbai-based company engaged in the business of providing back office services (KPO services), visual post-production, pre-press & publishing services, software development and internet marketing solutions. Although the company has an operational track record of more than 13 years, its scale of operations is relatively small as reflected in revenues of Rs.21.07 crores in FY2011-12 (refers to financial year, April 01 to March 31). The rating also factors in the high competition prevalent in the ITes industry. Power Weave has a weak financial risk profile marked by high leverage at 4.56 times as on March 31, 2013 (provisional) and 4.53 times as on March 31, 2012. The company's net worth is low at Rs.8.42 crore as on March 31, 2013 (provisional). In order to reduce debt, the company is in the process of selling two floors in its recently constructed seven-storey office building. The proceeds from the sale will be utilized towards debt repayment. The company has identified the buyers and received advance money for the sale of the office space. The company's interest coverage ratio has remained moderate within the range of 1.42 times to 1.82 times over the last three years. The company's net profit margin declined from 7.00 per cent in FY2009-10 to 3.46 per cent in FY2011-12. Power Weave registered net profit of Rs.0.73 crore in FY2011-12 (supported by foreign exchange gain of Rs.1.20 crore) as compared with net profit of Rs.0.79 crore in FY2010-11. Power Weave has booked revenues of ~Rs.24.75 crore (provisional) in FY2012-13.

Power Weave provides business process outsourcing services and image management services including back office services, software application development, custom website solutions and internet marketing. The company provides services under its brands Power Weave and Artwork Services. Power Weave has a strong management team headed by Mr. Rajesh Patel, who has around three decades of experience in the IT and ITes industry. Mr. Varshal Thakor, Director, is based in the USA and manages the company's business development function.

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### Outlook – Stable

Power Weave has a 'Stable' outlook. SMERA believes that Power Weave will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company is able to scale up its operations and improve the capital structure. Conversely, the outlook may be revised to 'Negative' in case the company unable to reduce leverage.

### About the company

Power Weave, incorporated in 2000, is engaged in the business of providing back office services, software development and internet marketing. The company's back office services include business process outsourcing (involving web catalogue management, order processing, account receivables management and account payables management) as well as image management (involving graphics designing and development). Power Weave is also involved in developing ERP software and undertaking publishing, printing and internet marketing.

Power Weave is promoted by the Patel family and headed by Mr. Rajesh Patel, who is supported by Mr. Varshal Thakor (based in the USA) and Mr. Pratik Thakore.

In FY2011–12, Power Weave reported PAT of Rs.0.73 crore (Rs.0.79 crore in FY2010–11) on total operating income of Rs.21.07 crore (Rs.17.68 crore in FY2010–11). Power Weave has booked revenues of ~Rs.24.75 crore (provisional) in FY2012–13.

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