

### Powerweave Software Services Private Limited: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	9.60	SMERA C (Withdrawn)
Packing Credit/Cash Credit/ Packing Credit in Foreign Currency	10.00	SMERA B-/Stable (Upgraded from SMERA C)

SMERA has upgraded the long term rating on the Rs.10.00 crore bank facility of Powerweave Software Services Private Limited (Power Weave) to **'SMERA B-' (read as SMERA B minus)** from 'SMERA C' (read as SMERA C). SMERA has also withdrawn the rating of SMERA C (read as SMERA C) assigned to the abovementioned Rs 9.60 crore bank facility with immediate effect on account of full payment of dues against the rated facilities. The outlook is **'Stable'**.

The rating upgrade is due to the timely servicing of debt obligations of the unrated facilities. Further the rating is constrained by the modest scale of operations in a highly competitive environment, weak coverage indicators and working capital intensive operations. However, the ratings are supported by the experienced management and diversified service profile.

#### Update

The revenues of Power Weave have increased from Rs.35.56 crore in FY2014-15 to Rs.42.41 crore in FY2015-16 (provisional). The net profit margins declined from 2.11 per cent in FY2014-15 to 1.80 per cent in FY2015-16 (provisional). The company registered net profit of Rs.0.76 crore in FY2015-16 (supported by foreign exchange gain of Rs.0.52 crore). The gearing stands moderate at around 1.36 times as on March 31, 2016 (provisional) after considering unsecured loan of Rs.10.66 crore as quasi equity based on an undertaking submitted by the company. The interest coverage ratio and DSCR stand low at around 1.65 times and 1.01 times respectively in FY2015-16 (provisional). The GCA days are high and have increased from 168 days in FY2014-15 to 189 days in FY2015-16 (provisional). The average working capital limit utilisation has been around 90 per cent from January to June, 2016.

#### Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Maintaining comfortable capital structure

#### Outlook-Stable

SMERA believes that Power Weave will maintain a stable outlook and benefit from the experience of its promoters over the medium term. The outlook may be revised to 'Positive' if the company significantly scales up operations with improvement in profitability while maintaining capital structure. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile, particularly liquidity because of larger-than-expected working capital requirements or decline in cash accruals.

## About the Company

Power Weave, incorporated in 2000, provides back office services and is also into software development and internet marketing. The 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 (graphics designing and development). Power Weave also develops ERP software and undertakes publishing and printing.

## Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating /Outlook
			Long Term	Short Term	
30 September, 2013	Foreign Currency Term Loan	9.60	SMERA B (Assigned)	-	Stable
	Export Packing Credit	10.00	SMERA B (Assigned)	-	Stable
03 November, 2014	Term Loan*	9.60	SMERA C (Downgraded)	-	-
	Export Packing Credit	10.00	SMERA C (Downgraded)	-	-
02 July, 2015	Term Loan*	9.60	SMERA C (Reaffirmed)	-	-
	Export Packing Credit	10.00	SMERA C (Reaffirmed)	-	-

\*Foreign currency term loans are converted into Indian currency term loans

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## ABOUT SMERA

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