

Rating Rationale

Brickwork Ratings assigns the long term rating of ‘BWR A-’ for the Bank Loan Facilities aggregating ₹15.00 Cr of M/s Cigniti Technologies Ltd

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan facilities of M/s Cigniti Technologies Ltd (CIGNITI or “the Company”)

Facility Fund Based	Existing Limits (₹ Cr)	Proposed Limits (₹ Cr)	Tenure	Rating
Cash Credit	10.00	5.00	Long Term	BWR A- (Pronounced BWR A Minus) Outlook: Stable
Total	10.00	5.00	INR Fifteen Crores Only	
	15.00			

BWR has essentially relied upon the consolidated audited financials of FY2013 to FY2016 and Standalone financial projections up to FY18 and publicly available information and the information/clarifications provided by the Company.

The rating reflects the established track record of the company, vast experience of promoters in Software Testing Services along with professional and experienced management team. A broad clientele base along with diversified business profile, Satisfactory financial risk profile driven by comfortable capital structure, significant growth in profitability indicators, and comfortable debt protection metrics. However the ratings are primarily constrained by wage inflation, increase in visa charges, pricing pressures and forex related risks, attrition risk, geographical concentration risk, regulatory risks on account of changes in policies of US.

Background:

Cigniti Technologies Ltd, Formerly Chakkilam Infotech Ltd. (CIGNITI / the company) is the third largest player in the global in Independent Software Testing Services, is headquartered at Hyderabad, India. The company was founded under the name of Chakkilam Infotech Private Limited in September 03, 1998, offering generic IT services and subsequently the company was reconstituted as a public limited company in January 2000 renamed as Chakkilam Infotech Limited.

Acquisitions:

In 2011, Chakkilam Infotech acquired a U.S. testing consultancy, Cigniti Inc. based in Irving, Texas, Cigniti Inc had a headcount of 350 and revenue of \$18m in 2010 and in mid-2013, Cigniti Technologies made another U.S.-Centric acquisition, with the purchase of Gallop Solutions Inc. Gallop had revenues of ~\$9.5m in 2012 and a headcount of ~200. These acquisitions significantly expanded CIGNITI’s addressable market, size and growth potential.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Services offered to the Clients:

CIGNITI offers a wide variety of testing services like Core Services like Functional Testing, Test Automation, Performance Testing, Security Testing, ERP Testing, Regression Testing, Compatibility Testing, Globalization Testing, Quality Engineering Services, Agile Testing, DevOps QA, Service Virtualization, Test Data Management; Advisory & Transformation Services, Test Advisory Services, Test Transformation Services; Next Generation Testing Services, Mobile Testing, Digital QA, Big Data & Analytics Testing, E-Commerce Testing, Energy and Utilities, Medical Device Testing, Game Testing.

Network of Offices & Software vendors:

Company has a major network US, UK, India, Australia, South Africa, New Zealand and Canada countries to provide multi-service delivery in key industry verticals including Independent Software Vendors (ISVs), BFSI, Travel and Hospitality, Healthcare, Energy and Utilities, Retail & E-Commerce, Others.

Alliances and partners:

Cigniti has alliances with leading product, tool and technology vendors. Its partners include AppDynamics, Collabnet, Dephix, kubisys, Mobile Labs, odin, optimyth, paragon, perfecto mobile, QA Symphony, Experitest, Enov8, HP, Keynote Device, Micro Focus, Neotys, Ranorex, Smart Bear, Soasta, TestPlant, Tricentis, Turnkey Solutions, verbat, Vera code, ZEPHYR and Zap Test.

The company has two Indian subsidiaries Gallop Solutions Pvt Ltd, Cigniti Software Solutions Pvt Ltd and Seven foreign subsidiaries Cigniti Inc., Gallop Solution Inc. Cigniti Technologies Inc., Cigniti Technologies Canada Inc., Cigniti Technologies UK Ltd, Cigniti Technologies Australia PTY Ltd, Cigniti Technologies (NZ) limited. The company has 100% holding in all its subsidiaries.

Cigniti has translated its experience of working with Fortune 500 enterprises into SMART Tools™ and has testing labs in Enterprise Mobility, cloud-enabled Performance engineering, Robotics, IoT & Smart Meters. Cigniti continues to develop IP and accelerators, like SMART Tools, Migration Tools (QuickLean, Migrate2Selenium) and new age DevOps Dashboard, Agile & Digital IPs. Company has India's first of its kind Robotics Test Lab, a Mobile Cloud Test Lab with HP & Experitest, a Cloud enabled Performance Test Lab, and an IoT & Smart Meter Lab.

Employees, Recognition and Accolades:

CIGNITI is employing over 2200+ employees served across US, UK, India, Australia, South Africa, New Zealand and Canada. Cigniti is the world's first Independent Software Testing Services Company to be appraised at CMMI SVC v1.3 with a Maturity Level 5. Cigniti has 2200+ experts and 1,800+ career testers catering and servicing over 500+ Global customers certified Independent Software Testing Services Company and is also ISO 9001:2008 & ISO 27001:2013 certified. Company is a public limited company listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The Company became a public limited company in 2004.

Company has been validated high by Leading Analysts like Gartner, Forrester, NelsonHall, Everest, Frost & Sullivan, and Forbes have recognized, awarded & commended Cigniti for its leadership and growth in the independent software testing services space.

In FY16 It derives around 86% of its revenue from the Americas, 5% from Europe, 5% from India and 4% from Rest of the World.

Management:

C V Subramanyam, Chairman and Managing Director; In 1998, Mr. Subramanyam founded Chakkilam Infotech Pvt. Ltd and he successfully took the company public in 2004. He Holds a Bachelors in Commerce and Law and Post Graduate Diploma in Business Management.

Sudhakar Pennam, CEO (Head Cigniti Inc.) he has Setup the US operations of Cigniti in Irving, Texas in 2004 and he has 20+ years of experience in various areas including IT operations.

Srikanth Chakkilam, Executive Director

He is the key decision maker in the vision and growth of Cigniti & plays a vital role in evaluating, analysing& deciding related to in-organic growth. He holds Master’s degree from the University of Southern California after an E&C Engineering degree.

Mr. K Subba Rao, Mr. Mani Subramani, Mr. K Nageswara Rao, Ms. K Krishna Priya are the other Board of directors in the company.

Financial Performance:

During FY2016, the company has achieved a total operating income (TOI) of Rs.594.51 crore with PBILDT Rs. 97.61 and PAT of Rs.49.68 crore as against a total operating income (TOI) of Rs.379.27 crore with PBILDT and PAT of Rs.38.45 Cr and Rs.25.35 crore in FY2015. Company Tangible Networth Stood at Rs.284.56 Cr coupled with Debt/Equity Ratio of 0.34 times.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the ability of the company to grow high in revenues and profitability, continued focus on enhancing technological capabilities combined with its strong delivery track record would remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.