Rating Rationale

Brickwork Ratings reaffirms the Long Term Rating of 'BWR BB' & assigns Short Term Rating of 'BWR A4' for Bank Loan facilities of ₹ 12.00 Cr to Magnaquest Technologies Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of Rs.12.00 Cr to Magnaquest Technologies Ltd. ("MTL" or "the company"):

Facilities	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating (Jan 2015)	Rating
Fund Based			**Long Term**	BWR BB (Pronounced BWR Double B) Outlook: Stable	**BWR BB (Pronounced BWR Double B) Outlook: Stable (Reaffirmed)**
Cash Credit	10.00	**12.00**			
Non Fund Based			**Short Term**	-	**BWR A4 (Pronounced BWR A Four)**
PCFC (Sublimit of Cash Credit)	-	(12.00)			
Total	10.00	**12.00**	**INR Twelve Crores Only**		

BWR has essentially relied upon the audited financial results of the company for FY15, Provisonals for FY16 and projected financials upto FY18, publicly available information and information/clarifications provided by the company's management.
The rating has factored, *inter alia*, long standing experience of promoters in the Industry and established business relations with key customers located in India and abroad, satisfactory growth in top line. However, the ratings are constrained by weak financial risk profile reflected by high gearing level, thin profit margins, relatively low scale of operations. The rating is further constrained by working capital intensive nature of operations, susceptibility of profitability to forex fluctuation risk and presence in a highly competitive industry.

Background:
Magnaquest Technologies Ltd (Previously known as Magnaquest Technologies Pvt Ltd), was incorporated in 1997, based in Hyderabad.

The product of the company are broadly classified in to two segments: **SURE**- A Suite of Business Support System (BSS) and Operations Support System (OSS) products, which can address the Subscription Management, Billing, CRM and Service fulfillment needs of multiple customer segments – Pay TV, Broadband, Cloud based Subscription Service Providers, Utilities, etc., **i- AM** – e ID services delivery- solution(s) to the governments and businesses to adopt government-driven national ID or National Public Key Infrastructure (eID) initiatives to provide

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

authentic source of “digital trust”, in line with the country’s ID law and digital signature act (Cyber laws).

MTL has 4 subsidiary companies; eVapt Inc, USA, Magnaquest Inc, USA, Magnaquest Solutions Sdn Bhd, Malaysia and Magnaquest Solutions FZE, UAE.

Ownership & Management:
Mr. Vijay Kumar Debbad is Managing director of the company, Mr. Tiru Bollam, Mr. B R Mohan Reddy and Mr. Rajib Debbad are directors of the company and are involved in day to day operations of the company. All the directors have experience of over two decades.

Financial Performance:
As per the audited financials for FY15, net revenue from operations of the company were Rs. 42.16 Cr with PAT of Rs. 1.08 Cr. Net profit margin has decreased from 4.11% in FY14 to 2.57% in FY15. Debt equity of the company stood at 2.15 times in FY15. Tangible net worth as on 31st March 2015 stood at Rs. 12.57 Cr.

As per the Provisionals of FY16, the Company has achieved a PAT of Rs. 1.25 Cr on revenues of Rs. 45.19 Cr.

Rating Outlook:
The rating outlook is expected to be stable over the current year. Going forward, ability of the company to scale up its operations and improve the profitability margin amidst increasing competition along with efficient management of working capital cycle would be the key rating sensitivities.

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