



RATING RATIONALE

21Oct2019

NSoft India Services Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹ 23.64 Crores of NSoft India Services Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March, 2018)	Present
Fund based	9.82	5.25	Long Term	BWR BBB-/Stable	BWR BBB-/Stable
Non Fund Based	14.39	18.39	Short Term	BWR A3	BWR A3
Total	24.21	23.64	INR Twenty Three Crores and Sixty Four Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

The rating action factors in an increase in revenue and profits. The ratings continue to reflect the vintage of the company, experience of their promoters and low gearing. However, the rating strengths are offset by their moderate scale of operations, a significant rise in their receivables, working capital intensive operations and dependency on tender based projects.

BWR believes the NSoft India Services Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

- **Credit Strengths:**

NSoft India Services Pvt. Ltd. was incorporated in 1996 and has a vintage of over 2 decades in this industry. Mr. Naagaraj Subramanya, the managing director of the company, is a senior technocrat with Doctorate in Engineering from Indian Institute of Science, Bangalore, a Master in



Technology (M Tech.) from IIT Chennai and has extensive experience in this line of business. Due to its vintage, the company enjoys an established clientele base such as BESCOM, GESCOM, etc. Operating income of the company increased from Rs. 46.16 Crs in FY18 to Rs. 61.97 Crs in FY19. TNW of the company increased to Rs. 28.44 Crs in FY19 bringing down the gearing ratio to 0.26 times.

- **Credit Risks:**

The company is operating at modest scale of operations, given its vintage in the industry. Even though gearing of the company declined on account of increase in its net worth, the overall debt of the company increased due to additional unsecured loans availed. There was a significant rise in the receivables level of the company, which now accounts for almost 50% of the company's turnover in FY19. Due to this, the company might face stretched liquidity as it has working capital intensive operations. Moderate current ratio at 1.70 times. The company also faces an inherent risk which comes with high dependency on tender based orders.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of NSoft (India) Services Pvt Ltd. and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- Increase scale of operations
- Reduce receivable levels
- Growth in revenue
- Improve order book value

Negative:

- Increase gearing
- Delays in receivables and payables realization
- Reduction in net worth

LIQUIDITY POSITION

Current ratio was moderate at 1.70 times as on March 31, 2019. Cash accruals were also moderate at Rs. 9.40 Crs increasing the net cash accruals/total debt ratio to 1.28 times in FY19 as compared to 1.15 times



in FY18. Cash and cash equivalents were reported at Rs. 0.74 Crs in FY18 and Rs. 1.37 Crs in FY19. The company might face stretched liquidity due to a significant increase in its trade receivables.

COMPANY PROFILE

NSoft (India) Services Pvt Ltd. was established in 2006 as a private limited company. It is an application software solution provider located in Bangalore, India. The company has expertise in providing solutions in the area of Revenue management for utility sector, Financial management, Work management, Asset management, Energy management system and Channel management for large corporations. The solutions have been predominantly on the Microsoft technologies and Oracle. Its major revenues are generated by providing Total Revenue Management (TRM) service for public utilities like ESCOMS, water supply, etc. It is currently providing TRM across 100 subdivisions of ESCOM in Karnataka and parts of U.P. It is an ISO 9001-2000 certified company. The Company has obtained CMMI Level 3 certification for Development and Services during FY19.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	61.97	46.16
EBITDA	₹ Cr	12.91	8.85
PAT	₹ Cr	6.47	3.65
Tangible Net worth	₹ Cr	28.44	24.53
Total Debt/Tangible Net worth	Times	0.26	0.27
Current Ratio	Times	1.70	1.95

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Instrument / Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	22.03.18	27.10.16	14.10.15
Fund Based	Long Term	5.25	BWR BBB-/Stable	BWR BBB-/Stable	BWR BB+/Stable	BWR BB/Stable
Non Fund Based	Short Term	18.39	BWR A3	BWR A3	BWR A4	BWR A4
Total		23.64	INR Twenty Three Crores and Sixty Four Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
	Canara Bank	Overdraft	5.25	0.00	5.25
		Bank Guarantee	0.00	18.39	18.39
TOTAL					23.64

Total Rupees Twenty Three Crores and Sixty Four Lakhs only.

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