

Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' to the Bank Loan Facilities of Tatwa Technologies Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities amounting to Rs. **12.45 Crores** sanctioned by Oriental Bank of Commerce to Tatwa Technologies Limited ("*TTL*" or "*the Company*"):

Facilities	Limits Rated (₹ Cr)	Tenure	Ratings ¹
Fund Based:			
Term Loan *	5.45	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook : Stable
Cash Credit	5.50		
Non Fund Based:			
Bank Guarantee	1.50	Short Term	BWR A4 (Pronounced as BWR A Four)
Total Amount Rated	12.45	(INR Twelve Crores and Forty Five Lakhs Only)	

* Term loan outstanding amount as on 29.2.2016

BWR has essentially relied upon the company's audited financial results up till FY 15, projections for next 3 financial years, publicly available information and the information/clarifications provided by the management of the company.

The rating has factored, inter-alia, experience of the management in the IT industry for more than 10 years, established track record and achievements of the company, low debt-equity and long standing relationship with reputed customers resulting in consistent growth in sales revenue. However, the rating is constrained by low scale of operations, reduced operating profit margin, low cash accruals to total debt, high receivables and increasing competition in the industry with many organized & unorganized companies.

Background:

Tatwa Technologies Limited was established on 10th January 2006 at Bhubaneswar, Odisha for providing voice based BPO services, software design & development services and packaged technology solutions both for the domestic and international customers. The company has opened branches at Bhubaneswar, Kolkata, Hyderabad and Noida to cater to its customers spread across the country. TTL's impressive client base includes – Aircel, Vodafone, Reliance, Uninor, Aspect and Government of Odisha. The company has been awarded as the top contributor to BPO sector in the Odisha region by STPI Export awards for 2014-15.

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

Management:

Tatwa Technologies Ltd's promoter-directors and their shareholdings- Mr. Ayaskanta Mohanty, Managing Director (27.03%), Mr. Tapendra Senapati, Director (27.02%), Mr. Harishchandra Mohanty, Director (2.45%), Ms. Nikita Subudi, Director (2.11%) and others (41.39%). Mr. Ayaskanta Mohanty, Managing Director has more than 18 years of organizational experience and holds a MBA degree in Finance and Marketing. The company has three other associate concerns engaged in the similar line of business – Tatwa BPO Ltd, Tatwa Infrastructure P Ltd and Adhar Technologies P Ltd.

Financial Performance:

Net Revenue from Operations is reported at Rs. 35.13 Crores for FY 15 as compared to Rs. 32.89 Crores in FY 14. Profit after tax stood at Rs. 0.94 Crores for FY 15 as compared to Rs. 0.82 Crores in FY 14. TTL's Net worth stood at Rs. 16.64 Crores. The total Debt to Equity ratio is at 0.75 times, while the net cash accruals to total debt stood at 0.21 times for FY 15.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, ability of the company to improve its revenue & profit margins amidst managing working capital efficiently, to recover its long standing receivables and to improve its net cash accruals to total debt will be the key rating sensitivities.

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