SAKSOFT
your digital transformation partner

Saksoft Limited
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January 14, 2020

To

The Listing/Compliance Department The National Stock Exchange of India Limited "Exchange Plaza" Bandra Kurla Complex Bandra (E) Mumbai – 400 051 **Stock Code: SAKSOFT**	The Listing/Compliance Department Bombay Stock Exchange Limited Floor No.25, Phiroze JeejeebhoyTowers, Dalal Street, Mumbai – 400 001 **Stock Code: 590051**

Dear Sirs,

Sub: Intimation regarding Credit rating for bank facilities

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, this is to inform that Credit Analysis & Research Limited (CARE) has assigned an upward rating to the long term bank facilities of the Company from CARE BBB +; Positive (Triple B Plus; Outlook Positive) to CARE A - ;Stable (Single A Minus; Outlook: Stable).

Rationale for revision as received from CARE ratings is enclosed with this letter.

Please take this information on record.

For Saksoft Ltd

S.Muthukrishnan
Company Secretary

CARE Ratings
Professional Risk Opinion

CARE/CRO/RR/2019-20/1126

Shri. Niraj Kumar Ganeriwal
Chief Financial Officer
Saksoft Limited
SP Infocity, Block A, 2nd Floor,
40, MGR Salai, Perungudi,
Kandanchavadi,
Chennai – 600 096

January 14, 2020

Dear Sir,

Credit rating of the Bank Facilities for Rs.17.57 crore

Please refer to our rating letter no. CARE/CRO/RL/2019-20/1628 dated January 9, 2020, and draft rating rationale dated January 10, 2020 and other communcations on the above subject.

1. The final rationale for the rating is attached as an **Annexure - I.**

2. A write-up (press release) on the above rating is proposed to be issued to the press shortly. A final copy of this is enclosed as **Annexure - II.**

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

P. Sandeep
Associate Director
sandeep.prem@careratings.com

CARE Ratings Limited

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CIN-L67190MH1993PLC071691

Annexure I
Rating Rationale
Saksoft Limited

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	17.57 (reduced from 20.82)	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Revised from CARE BBB+; Positive (Triple B Plus; outlook: Positive)**
Total Facilities	**17.57 (Rupees Seventeen crore and Fifty Seven lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of Saksoft Limited (Saksoft) takes into account the increase consistent improvement in the scale of operations of the company with improved profitability over the last few years, with sharp growth observed in FY19. The rating revision also takes into account the comfortable leverage position and debt coverage indicators over the years. The rating continues to draw comfort from the company's long operational track record with established client relationships and vast industrial experience of promoters with a well qualified management team.

Rating Sensitivities

Positive Factors

- Improvement in scale of operations and profitability

Negative Factors

- Any large debt funded acquisitions impacting the capital structure of the company with gearing exceeding 1.0x
- Any sustained drop in profitability margins (PBDIT) below 12%

Detailed description of the key rating drivers

Experienced promoters and well qualified management team

Mr. Aditya Krishna, Chairman & Managing Director of Saksoft, has completed his MBA from Northeastern University, Boston, USA and has over 25 years of experience in the banking and financial services industry having served in senior positions in Chase Manhattan Bank, New York and Citibank North America.

Mr. Aditya Krishna was also instrumental in setting up Citibank India's credit card business having served as Credit Director & Financial Controller of Citibank India for 5 years (1990-95). In 1995, he started an NBFC named Nation Wide Finance Limited engaged in retail financing, which was acquired by CITI group in 2000.

The day-to-day affairs of Saksoft are overseen by experienced IT professionals heading various technologies and geographies with a well-defined organisation structure.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Focus on niche Information Management space with integrated capabilities arising out of past acquisitions

The company focuses on 6 industries viz. Fintech, Telecom, Transportation and Logistics, Retail/E-Commerce, Healthcare and Public Sector. In the past few years, Saksoft has expanded its business by acquisitions which have given it access to new verticals and niche technologies that will help to leverage opportunities arising in the above industries. Acquisition of Acuma in 2006 , Three Sixty Logica in 2015 and DreamOrbit Softech in 2016 has enabled Saksoft to provide an integrated business intelligence/information management solution including mobility, web based and mobile based applications and independent testing for the same. DreamOrbit specialises in Internet of Things space and provides software technology solutions to logistics and transportation sector. Faichi Solutions is a US health service provider offering solutions in product engineering, open source development and consulting services. Saksoft has also established a managed services division to provide Reporting as a Managed Service (RaaMS) where the company takes over end to end information management and Business intelligence solution. The integrated offering helps the company to upsell and cross sell services.

Reputed client base

Saksoft, with its rich experience of the promoters in BFSI (Banking, Financial Services, Insurance) domain, started its services primarily aimed at BFSI clients. The company has worked with leading global banks and financial institutions. Currently the company is serving clients within turnover range of USD 200 million - 5 billion. Saksoft has also diversified its services into logistics, e-commerce, healthcare, telecom, public sector and fintech. The company generally enters into annual agreements with clients and these are renewed on an annual basis. The company has moved from a project based approach of engagement with clients to an annual contract and this has helped offer more value added service and opportunity to cross sell services to a client.

Improvement in scale of operations and profitability margins

The Total Operating Income grew by 25% in FY19 and a CAGR of 12% for the last five years. The increase in income in FY19 has been driven by higher business from existing clients and new client additions and favourable exchange rates during the year. The company has also been able to absorb the various acquisitions from time to time and intergrate it with its offerings. The PBILDT margin improved to 16.88% in FY19 from 14.17% in FY18. PBDIT margin has been improving consistently year on year over the last 5 years. The overall gearing[2] remained comfortable at 0.30 times as on March 31, 2019. As on March 31, 2019, the company had a free cash balance of Rs.40.01 Cr as against debt of Rs.53.40 Cr (including Operating Lease Payable of Rs. 12.44 cr), resulting in a net debt of Rs.13.39 Cr. A large part of the debt amounting to Rs.27 cr is in the form of unsecured loans from a group concern viz. Sak Industries Private Limited for acquisitions.

On a standalone basis, the company reported overall gearing[2] of 0.54 times as on March 31, 2019. As on March 31, 2019, the company had a cash balance of Rs. 2.01 Cr on a standalone basis.

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[2] Including operating lease payable as debt

Geographic and client concentration risk

The company derives over 85% of its revenue from USA and UK. Both these countries are the largest markets in the IT Space. The geography wise distribution of revenues for the past five years is given below:

(Rs. Crore)

Total Income	FY15	%	FY16	%	FY17	%	FY18	%	FY19	%
USA	91	39%	142	58%	150	58%	166	58%	196	55%
UK	110	48%	78	32%	88	34%	91	32%	107	30%
Asia Pacific	30	13%	24	10%	22	8%	29	10%	55	15%
Total	**231**		**244**		**260**		**286**		**358**	

The share of Europe has been declining over the last few years from about 48% of Income in FY15 to about 30% in FY19. On the client concentration front, top 5 clients contributed 44% of the total revenue in FY19 as against 42% in FY18.

Intense competition in the IT industry

Saksoft is a relatively small player in the IT services industry which is dominated by large multinationals with deep pockets apart from the smaller players operating in niche technology areas with ability to quickly adapt to changing technologies. Large Indian IT players like Infosys, TCS, Cognizant, etc. have significant presence in IM space with a larger client base and may pose hindrance for Saksoft to acquire larger deals. Additionally, wage inflation, employee attrition levels and adverse changes in U.S. laws, including those relating to outsourcing and immigration inherent to the IT services sector remain challenges in the future. IT being discretionary spend, any cost reduction initiative would result in reduction in IT spends by the clients and the same will impact the growth prospects of Saksoft.

Foreign Exchange Risk

The Company's exchange risk arises from its foreign currency revenues (primarily in U.S. Dollars, British Pound Sterling/ Euros and Singapore Dollars). A significant portion of the company's revenue is in these foreign currencies, while a significant portion of its corresponding costs are in Indian Rupee. In the FY19, the rupee depreciated against both USD and Pound and was beneficial for the company.

Liquidity:Adequate

Adeqaute liquidity characterised by sufficient cushion in accruals vis- a-vis repayment obligations and a cash balance of Rs. 40 crore. A large part of the debt (Rs. 27 crore as on March 31, 2019) is in the form of unsecured loans from a group company and has no fixed repayment schedule. However, during the current year (FY20) the company has paid an amount of Rs. 4 crore of the unsecured loan. The company has working capital facility of Rs. 12 crore, utilization of which stood at about 73% for 12 month period ending September 2019. Of the total debt of Rs. 53 crore(including Operating Lease Payable of Rs. 12.44 cr) , Rs. 48 crore (including Operating Lease Payable of Rs. 7.81 crore) is on the standalone books of the company . The company on standalone basis had accruals of about Rs. 17 cr for FY19 as against a repayment obigation of about Rs. 3 -4 cr (excluding unsecured loan repayments) on a standalone basis.

Analytical approach:
Consolidated. Considering the significant financial as well as operational linkages of Saksoft with its subsidiaries, the consolidated financials of Saksoft have been considered for analysis. The companies which have been consolidated with Saksoft for analysis purpose is as below:

Subsidiaries of Saksoft	% of holding as on March 31, 2019
Saksoft Inc, USA	100%
Saksoft Pte Ltd., Singapore	100%
Saksoft Solutions Ltd., UK	100%
Three Sixty Logica Testing Services Pvt. Ltd., India	100%
DreamOrbit Softech Pvt. Ltd., India	80%
Step down subsidiaries of Saksoft	
Eletronic Data Professionals Inc.	100%
Faichi Solutions Inc.	100%
Acuma Solutions Limited	100%
Acuma Software Limited	100%
Three Sixty Logica Testing Services Inc.	100%
DreamOrbit Inc.	100%

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology: Consolidation and Factoring Linkages in Ratings
Rating Methodology - Service Sector Companies
Financial ratios – Non-Financial Sector

About the Company
Established in 1999 by Mr. Autar Krishna and his son Mr. Aditya Krishna, Saksoft is engaged in providing business intelligence and information management solutions predominantly to mid-tier companies based out of USA and UK. Saksoft initially catered to the BFSI segment before diversifying to ecommerce, manufacturing, public sector and education verticals. Over the years, Saksoft has grown both organically and inorganically by acquiring various companies in complementary line of business expanding its product offerings. The company now offers associated services like application development, testing & quality control and solutions based on cloud, mobility and Internet of Things (IoT) along with Information Management (IM) and Business Intelligence (BI) solutions. As on March 31, 2019, Saksoft had 5 subsidiaries (4 wholly-owned subsidiaries and one subsidiary in which holding is 80%) and 6 step-down subsidiaries across geographies like US, UK, and Singapore. Subsequent to the FY19, the company acquired the remaining 20% stake in one of its subsidiaries, thus making it a wholly-owned subsidiary.

Financial Performance (Consolidated):

(Rs. crore)

For the period ended / as at March 31,	*2017 (12m, A)*	*2018 (12m, A)*	*2019 (12m, A)*
Working Results			
Income from Operations	260.35	286.93	359.58
PBILDT	33.78	40.65	60.70
Interest	4.65	5.22	4.80
Depreciation	1.31	2.87	4.27
Operating PBT	27.81	32.56	51.63
Non operating Income/Expense	1.09	1.24	0.65
PBT	28.90	33.80	52.28
PAT (after deferred tax)	20.11	24.40	38.22
Gross Cash Accruals	21.91	26.47	41.86
Financial Position			
Equity Capital	10.46	9.94	9.94
Networth	152.35	175.60	180.15
Total capital employed	177.75	201.45	219.56
Key Ratios			
Growth			
Growth in Total income (%)	6.10	10.21	25.32
Growth in PAT (after deferred tax) (%)	-7.45	21.29	56.65
Profitability			
PBILDT/Total Op. income (%)	12.97	14.17	16.88
PAT (after deferred tax)/ Total income (%)	7.73	8.50	10.63
ROCE (%)	6.42	22.61	25.53
Solvency			
Debt Equity ratio (times)	0.16	0.13	0.19
Overall gearing ratio(times)	0.17	0.23	0.30
Interest coverage(times)	6.98	7.24	11.75
Term debt/Gross cash accruals (years)	1.14	0.85	0.80
Total debt/Gross cash accruals (years)	1.17	1.02	0.98
Liquidity			
Current ratio (times)	1.90	1.78	2.11
Quick ratio (times)	1.90	1.78	2.11
Turnover			
Average collection period (days)	70	69	62
Average inventory (days)	-	-	-
Average creditors (days)	38	37	32
Operating cycle (days)	32	32	30

A: Audited

Note:

1. Unsecured loan from related party of Rs. 21.50 crore (out of total unsecured loan of Rs. 27.00 crore) which was earlier considered as Quasi Equity is considered as debt as on March 31,2019.
2. Company has adopted IndAS in FY18 and FY17 figures are restated as per IndAS.
3. Dreamorbit was acquired in Q4FY17 and the numbers of the preceding year are not comparable on that account. Dreamorbit's revenue before acquisition was Rs 35.54 crore and post-acquisition, it is Rs 44.4 crore. Further, FY18 takes in to account the full year impact of the Dream orbit acquisition and hence the numbers are not strictly comparable with FY17.
4. FY17 was the full year of operations post 51% acquisition of 360 logica. In June 2016, another 25% was acquired and in July 2017, the remaining 24%.

5. Non opearating Income includes miscellaneous receipts, provision no longer required written back, profit on sale of assets, etc.
6. Overall gearing ratio ratio computation includes Operating Lease Payable of Rs. 12.44 crore as debt .

Status of non-cooperation with previous CRA: - Not Applicable

Any other information – Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2021	5.57	CARE A-; Stable
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE A-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	5.57	CARE A-; Stable	-	1)CARE BBB+; Positive (03-Sep-18)	1)CARE BBB+; Positive (07-Jul-17)	1)CARE BBB+; Positive (02-Feb-17) 2)CARE BBB+ (14-Jul-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)Withdrawn (03-Sep-18)	1)CARE A3+ (07-Jul-17)	1)CARE A3+ (02-Feb-17) 2)CARE A3+ (14-Jul-16)
3.	Fund-based - LT-Cash Credit	LT	12.00	CARE A-; Stable	-	1)CARE BBB+; Positive (03-Sep-18)	1)CARE BBB+; Positive (07-Jul-17)	1)CARE BBB+; Positive (02-Feb-17) 2)CARE BBB+ (14-Jul-16)

Annexure-3: Details of Rated Facilities

1. Long-term facilities

1.A. Rupee Term Loans

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	HDFC Bank	5.57	Outstanding as on October 31, 2019	Repayable in 16 quarterly installments from December 2017
	Total Rupee Term Loans	**5.57**		

1.B. Fund Based limits

(Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits	
		CC*	Total fund-based limits
1	RBL Bank Limited	12.00	12.00
	TOTAL	**12.00**	**12.00**

*CC=Cash credit

Total long-term facilities (1.A+1.B) Rs. 17.57 crore

Total facilities – Rs. 17.57 crore

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.