



**Saksoft Limited**

**CIN: L72200TN1999PLC054429**

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Web: [www.saksoft.com](http://www.saksoft.com)

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7<sup>th</sup> September, 2021

**To**

The Listing/Compliance Department The National Stock Exchange of India Limited “Exchange Plaza” Bandra Kurla Complex Bandra (E) Mumbai – 400 051  <b><u>Stock Code: SAKSOFT</u></b>	The Listing/Compliance Department BSE Limited Floor No.25, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001  <b><u>Stock Code: 590051</u></b>
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Dear Sirs,

**Sub: Intimation of 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) ratings has assigned the rating as CARE A2+ for short term bank facilities of the Company and reaffirmed the rating assigned to the long term bank facilities of the Company, the outlook has been revised from stable to positive.

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

Please take this information on record.

Yours faithfully,

**For Saksoft Limited**

**Meera Venkatramanan**  
**Company Secretary**

Enc: a/a.

No. CARE/CRO/RL/2021-22/1202

**Shri Niraj Kumar Ganeriwal**  
**Chief Financial Officer**  
**Saksoft Limited**

SP Infocity, Block A, 2nd Floor,  
40, MGR Salai, Perungudi,  
Chennai 600096

September 07, 2021

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

Please refer to your request for rating the bank facilities of your Company

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Short Term Bank Facilities	3.00	CARE A2+ (A Two Plus)	Assigned
Total Facilities	3.00 (Rs. Three Crore Only)		

3. Refer **Annexure I** for details of rated facilities.
4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is September 02, 2021).
5. The rationale for the rating is enclosed as **Annexure II**. A write-up (press release) on the above rating is proposed to be issued to the press shortly, which is enclosed as **Annexure III**.
6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
12. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,



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Analyst

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**Jaganathan A**  
Assistant Director

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Encl.: As above

### **Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

## Annexure I

### Details of Rated Facilities

#### 1. Short Term Facilities

##### 1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	HDFC Bank Ltd.	3.00	Overdraft
	<b>Total</b>	<b>3.00</b>	

**Total Short Term Facilities : Rs.3.00 crore**

**Total Facilities (1.A) : Rs.3.00 crore**

**Annexure II**  
**Rating Rationale**  
**Saksoft Limited**

**Ratings**

Instrument / Facilities	Amount (Rs. Crore)	Rating <sup>[1]</sup>	Rating Action
Long-term Bank Facilities	12.00	CARE A-; Positive (Single A Minus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Short-term Bank Facilities	3.00	CARE A2+	Assigned
Long-term Bank Facilities	-	-	Withdrawn
<b>Total Bank Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen crore only)</b>		

**Details of instrument / facilities in Annexure-1**

**Detailed Rationale & Key Rating Drivers**

*The rating assigned to the bank facilities of Saksoft Limited (Saksoft) takes into account the comfortable financial risk profile of the company marked by minimal debt, comfortable debt coverage indicators and adequate liquidity. The rating continues to derive strength from the company's long operational track record and vast industrial experience of the promoters with a well-qualified management team and Saksoft's integrated capabilities and strong relationship with customers enabling repeat orders. However, the rating remains constrained by intense competition in the IT industry, risk of client and geographic concentration.*

*The outlook has been revised to positive as CARE Ratings believes that the shift towards digital transformation post COVID would augur well for the company's growth improving scale and diversification of revenue base.*

**Rating Sensitivities**

**Positive Factors**

- Improvement in the scale of operations to more than Rs.500 crore and improvement in margins over 20%
- Reduction in client concentration level

**Negative Factors**

- Any large debt-funded acquisitions impacting the capital structure of the company with overall gearing exceeding 0.5x
- Any sustained drop in profitability margins (PBILDT) below 12%

**Detailed description of the key rating drivers**

***Experienced promoters and well-qualified management team***

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

Saksoft was founded by Mr Aditya Krishna in the year 1999. 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 a non-banking financial company (NBFC) named Nation Wide Finance Limited engaged in retail financing, which was acquired by the 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.

***Focus on being a Digital Transformation Partner for its clients:***

Saksoft specialises in enabling customer transform their Business digitally through legacy modernisation and intelligent automation.

The revenue share across the different segments is given below:

(Rs. in Cr)

Revenue Share across segments	FY18	%	FY19	%	FY20	%	FY21	%
Business Intelligence /Information Management	146	51%	168	47%	165	46%	177	46%
Application Development	109	38%	140	39%	144	40%	158	41%
Testing Services	31	11%	50	14%	50	14%	50	13%
<b>Total</b>	<b>286</b>		<b>358</b>		<b>359</b>		<b>386</b>	

The emergence of COVID-19 has led to better opportunities in application development segment – including accelerated transformation of on-premise to cloud.

Over the last few years, the company has done five acquisitions that have helped strengthen capabilities and add to the customer proposition. Acquisition of Acuma in 2006, Three Sixty Logica in 2014 and Dreamorbit 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 (IoT) space and provides software technology solutions to logistics and transportation sector. Faichi acquired in 2018 has helped the company increase its presence in healthcare segment.

***Growth in the revenue and stable profit margins***

The company recorded a 7% growth in the revenues during FY21 (refers to the period April 1 to March 31). With decline in discretionary spending after COVID-19 the revenue growth was slow. The PBILDT margins have remained stable at 16%-17% over the past 3 years. The company maintains utilisation of employees above 80% and the number of employees and the employee costs for FY21 have remained at similar level as FY20. Saksoft outsources some of the managed services to smaller third-party service providers, when the company does not have required expertise. This helps the company to retain its customers and also reduce costs in developing capabilities in-house for technologies which has lower demand.

In Q1FY21, the company has recorded a revenue of Rs.102.14 crore showing a 16% increase YoY and a PBILD margin of 20%. The company reported a PAT of Rs.17.68 crore in Q1FY22 as against Rs.10.12 crore in Q1FY21.

**Reputed client base**

Saksoft, with its rich experience of the promoters in Banking, Financial Services, Insurance (BFSI) domain, started its services primarily aimed at BFSI clients and has worked with leading global banks and financial institutions. Saksoft has diversified its services into verticals, namely, logistics, e-commerce, healthcare, telecom, public sector and Fintech. The company serves clients within turnover range of USD 200 million –USD 2 billion. The telecom sector has seen growth with increased revenue from its existing client. Major contributors to revenue was Fintech vertical at 27% and followed by telecom at 23% share in the overall revenue.

Vertical (Rs. Crore)	FY19		FY20		FY21		Q1FY22	
	Rev	%	Rev	%	Rev	%	Rev	%
Transportation and logistics	39	11%	36	10%	35	9%	9	9%
Fintech	111	31%	104	29%	104	27%	27	26%
Health care and Retail and e-commerce	32	9%	47	13%	42	11%	9	9%
Public Sector	36	10%	39	11%	39	10%	6	6%
Telecom	57	16%	72	20%	89	23%	23	23%
Others	82	23%	65	18%	77	20%	28	27%
<b>Total</b>	<b>358</b>		<b>359</b>		<b>386</b>		<b>102</b>	

The company generally enters into annual agreements with clients and these are renewed on an annual basis. As of FY21, the repeat orders consisted over 80% of the order book.

**Intense competition**

Saksoft is a relatively small player in the IT services industry which is dominated by large multinationals with deep pockets. Factors like 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.

**Client and geographic concentration**

The company derived 78% of its revenue from USA and Europe in FY21. Both these geographies are the largest markets in the IT Space. The share of Europe and USA had come down in FY20 largely on the back of realignment of certain contracts with a few of their top ten customers from US to APAC geographies. These US-based clients have started routing the contracts to their global centres in APAC region. Saksoft also has managed to add some domestic customers also during FY21. On the client concentration front, top five clients contributed less than half of the total revenue in FY21 (46%) with more contribution from the top two customers (Around 30%). However, it is noted



that the client base of the company has reputed players in respective industry and the company is also able to generate revenue from repeat customers due to strong relationships.

### Industry Prospects:

Digital transformation initiatives by enterprises grew manifold during the pandemic, with much greater realization of the need for digitization. The industry witnessed superior growth during FY21 as a direct result of lockdown and restrictions increasing the need of technology adoption. The driver of long-term growth is the structural shift within the technology market, leading to growing primacy of IT services. Global technology spends are expected to continue being upbeat in FY22. Robotics, artificial intelligence, cybersecurity, Internet of Things (IoT), among others are expected to be the key technology focus areas in the medium term.

### Liquidity analysis - Adequate

The company provides a credit period of about 60-75 days for international clients and about 90 days for clients within India. The liquidity position of the company is comfortable with the company having strong cash accruals of Rs.50 crore and total cash and liquid investments of Rs.100 crore as on March 31, 2021 against nil repayment obligation. The company has a working capital facility of Rs.15 crore, which remained unutilized for the past 12 months, and is maintained as a stand by limit to meet any emergency cash requirements.

### 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 subsidiaries account for the largest share of Income of the company and the business model entails a high amount of integration with the subsidiaries.

<b>Name of subsidiaries</b>	<b>% of holding</b>
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	100%
<b>Name of step-down subsidiaries</b>	<b>% of holding</b>
Eletronic Data Professionals Inc.	100%
Faichi Solutions Inc.	100%
Acuma Solutions Limited	100%
Saksoft Ireland Limited	100%
Three Sixty Logica Testing Services Pte	100%
DreamOrbit Inc.	100%

## Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Short term instruments](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

## 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. The company now offers associated services like application development, testing and 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, 2021, Saksoft had five wholly-owned subsidiaries and six step-down subsidiaries across geographies like US, UK, and Singapore.

**Covenants of Rated Instrument:** Detailed explanation of covenants of the rated instrument is given in **Annexure-3 - NA**

## Financial Performance – Saksoft Limited (Consolidated)

(Rs. Crore)

For the Period Ended / as at March 31,	2019	2020	2021
	(12m, A)	(12m, A)	(12m, A)
<b>Working Results</b>			
Total Operating Income	359.58	362.46	386.61
PBILDT	60.70	64.80	65.22
Interest	4.81	5.14	3.45
Depreciation	4.27	7.27	6.67
PBT	52.27	52.58	58.41
PAT	38.21	38.66	45.46
Gross Cash Accruals	41.85	44.75	50.60
<b>Financial Position</b>			
Equity Capital	9.94	9.94	9.96
Net-Worth	180.15	206.18	259.29
<b>Key Ratios</b>			
<b>Growth</b>			
Growth in Total Income (%)	25.32	0.80	6.66
Growth in PAT (after deferred tax) (%)	1.16	17.60	9.09
<b>Profitability</b>			

For the Period Ended / as at March 31,	2019	2020	2021
	(12m, A)	(12m, A)	(12m, A)
PBILDT/Total Op. Income (%)	16.88	17.88	16.87
PAT (after deferred tax)/Total Income (%)	10.63	10.66	11.76
ROCE (%)	25.53	27.55	26.96
<b>Solvency</b>			
Debt Equity Ratio (times)	0.19	0.13	0.14
Overall Gearing Ratio (times)	0.30	0.17	0.14
Interest Coverage (times)	12.63	12.61	18.93
Term Debt/Gross Cash Accruals (years)	0.80	0.78	0.69
Total Debt/Gross Cash Accruals (years)	0.98	0.79	0.69
<b>Liquidity</b>			
Current Ratio (times)	2.11	2.31	2.57
Quick Ratio (times)	2.11	2.31	2.57
<b>Turnover</b>			
Average Collection Period (days)	62	66	62
Average Inventory Period (days)	0	0	0
Average Creditors Period (days)	32	29	28
Operating Cycle (days)	30	38	34

A: Audited

**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 Instrument / 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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE A-; Positive
Fund-based - ST-Bank Overdraft	-	-	-	3.00	CARE A2+

## 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT*	-	-	-	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)	1)CARE BBB+; Positive (03-Sep-18)
2.	Non-fund-based - ST-Bank Guarantees	ST**	-	-	-	-	-	1)Withdrawn (03-Sep-18)
3.	Fund-based - LT-Cash Credit	LT	12.00	CARE A-; Positive	-	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)	1)CARE BBB+; Positive (03-Sep-18)
4.	Fund-based - ST-Bank Overdraft	ST	3.00	CARE A2+	-	-	-	-

\*Long-term; \*\*Short-term

## Annexure-3: Details of Rated Facilities

### 1. Long-term Facilities

#### 1.A. Fund-based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	RBL Bank Limited	12.00	Cash Credit
	<b>Total</b>	<b>12.00</b>	

Total Long-term Facilities: Rs.12.00 crore

### 2. Short-term facilities

#### 2.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	HDFC Bank Ltd.	3.00	Overdraft
	<b>Total</b>	<b>3.00</b>	

Total Short Term Facilities : Rs.3.00 crore

Total Facilities (1.A+2.A) : Rs.15.00 crore

## Annexure-4: Detailed explanation of covenants of the rated instrument – Not Applicable

## Annexure-5 Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Bank Overdraft	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact Us

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

*CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank*

*facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.*

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**Annexure III  
Press Release  
Saksoft Limited**

**Ratings**

<b>Instrument / Facilities</b>	<b>Amount (Rs. Crore)</b>	<b>Rating<sup>[1]</sup></b>	<b>Rating Action</b>
Long-term Bank Facilities	12.00	CARE A-; Positive (Single A Minus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Short-term Bank Facilities	3.00	CARE A2+	Assigned
Long-term Bank Facilities	-	-	Withdrawn
<b>Total Bank Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen crore only)</b>		

*Details of instrument / facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The rating assigned to the bank facilities of Saksoft Limited (Saksoft) takes into account the comfortable financial risk profile of the company marked by minimal debt, comfortable debt coverage indicators and adequate liquidity. The rating continues to derive strength from the company's long operational track record and vast industrial experience of the promoters with a well-qualified management team and Saksoft's integrated capabilities and strong relationship with customers enabling repeat orders. However, the rating remains constrained by intense competition in the IT industry, risk of client and geographic concentration.*

*The outlook has been revised to positive as CARE Ratings believes that the shift towards digital transformation post COVID would augur well for the company's growth improving scale and diversification of revenue base.*

**Rating Sensitivities**

**Positive Factors**

- Improvement in the scale of operations to more than Rs.500 crore and improvement in margins over 20%
- Reduction in client concentration level

**Negative Factors**

- Any large debt-funded acquisitions impacting the capital structure of the company with gearing exceeding 0.5x
- Any sustained drop in profitability margins (PBILDT) below 12%

**Detailed description of the key rating drivers**

**Key Rating Strengths**

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**Experienced promoters and well-qualified management team:** Saksoft was founded by Mr Aditya Krishna in the year 1999. Mr Aditya Krishna, Chairman & Managing Director of Saksoft, has over 25 years of experience in the banking and financial services industry and the promoter group has over five decades of industrial experience. The day-to-day affairs of Saksoft are overseen by experienced IT professionals heading various technologies and geographies with a well-defined organisation structure.

**Focus on being a Digital Transformation Partner for its clients:**

Saksoft specialises in enabling customer transform their Business digitally through legacy modernisation and intelligent automation. The emergence of COVID has led to better opportunities in application development segment –including accelerated transformation of on-premise to cloud. Over the last few years, the company has done five acquisitions that have helped strengthen their capabilities and add to the customer proposition. The integrated offering helps the company to upsell and cross sell services.

**Growth in revenue and stable profit margins:** The company recorded a 7% growth in the revenues during FY21 (refers to the period April 1 to March 31). With decline in discretionary spending after COVID-19 the revenue growth was slower. The PBILDT margins have remained stable at 16%-17% over the past 3 years. Saksoft also outsources some of the managed services to smaller third-party service providers to reduce costs in developing capabilities in-house for technologies which has lower demand. In Q1FY21, the company has recorded a revenue of Rs.102.14 crore showing a 16% increase YoY and a PBILDT margin of 20%. The company reported a PAT of Rs.17.68 crore in Q1FY22 as against Rs.10.12 crore in Q1FY21.

**Reputed client base:** Saksoft, with its rich experience of the promoters in Banking, Financial Services, Insurance (BFSI) domain, has worked with leading banks and financial institutions. It has now diversified into logistics, e-commerce, healthcare, telecom, public sector and Fintech and works with reputed companies in the corresponding verticals. Currently, the company is serving clients within turnover range of USD 200 million – USD 2 billion. Telecom sector has seen growth with increased revenue from its existing client. Fintech vertical and telecom were largest contributors to revenue in FY21 accounting for at 27% and 23% share, respectively.

**Key Rating Weaknesses:**

**Intense competition:** Saksoft is a relatively small player in the IT services industry which is dominated by large multinationals with deep pockets. Factors like wage inflation, employee attrition levels and adverse changes in U.S. laws remain challenges in the future. IT being discretionary spend, any cost reduction initiative resulting in reduction in IT spends by the clients will impact the prospects of Saksoft.

**Client and geographic concentration:** The company derived 78% of its revenue from USA and Europe in FY21, both of which are largest markets in IT. Saksoft also has managed to add some domestic



customers also during FY21. On the client concentration front, top five clients contributed less than half of the total revenue in FY21 with more load (Around 30%) from the top two customers.

**Industry Prospects:** Digital transformation initiatives by enterprises grew manifold during the pandemic, with much greater realization of the need for digitization. The driver of long-term growth is the structural shift within the technology market, leading to growing primacy of IT services. Global technology spends are expected to continue being upbeat in FY22. Robotics, artificial intelligence, cybersecurity, IoT, among others are expected to be the key technology focus areas in the medium term.

**Liquidity analysis - Adequate**

The company provides a credit period of about 60-75 days for international clients and about 90 days for clients within India. The liquidity position of the company is comfortable with the company having strong cash accruals of Rs.50 crore and total cash and liquid investments of Rs.100 crore as on March 31, 2021. The company has a working capital facility of Rs.15 crore, which remained unutilized for the past 12 months, and is maintained as a stand by limit to meet any emergency cash requirements.

**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 subsidiaries account for the largest share of Income of the company and the business model entails a high amount of integration with the subsidiaries.

<b>Name of subsidiaries</b>	<b>% of holding</b>
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	100%
<b>Name of step-down subsidiaries</b>	<b>% of holding</b>
Eletronic Data Professionals Inc.	100%
Faichi Solutions Inc.	100%
Acuma Solutions Limited	100%
Saksoft Ireland Limited	100%
Three Sixty Logica Testing Services Pte	100%
DreamOrbit Inc.	100%

**Applicable Criteria**

- [Criteria on assigning Outlook to Credit Ratings](#)
- [CARE’s Policy on Default Recognition](#)
- [Rating Methodology: Consolidation](#)
- [Rating Methodology - Service Sector Companies](#)
- [Financial ratios – Non-Financial Sector](#)

## Liquidity Analysis of Non-financial sector entities

### 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 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, 2021, Saksoft had five wholly-owned subsidiaries and six step-down subsidiaries across geographies like US, UK, and Singapore.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	362.46	386.61
PBILD	64.80	65.22
PAT	38.66	45.46
Overall gearing (times)	0.17	0.14
Interest coverage (times)	12.61	18.93

A: Audited

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

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

### Annexure-1: Details of Instrument / 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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE A-; Positive
Fund-based - ST-Bank Overdraft	-	-	-	3.00	CARE A2+

### 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT*	-	-	-	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)	1)CARE BBB+; Positive (03-Sep-18)
2.	Non-fund-based - ST-Bank Guarantees	ST**	-	-	-	-	-	1)Withdrawn (03-Sep-18)
3.	Fund-based - LT-Cash Credit	LT*	12.00	CARE A-; Positive	-	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)	1)CARE BBB+; Positive (03-Sep-18)
4.	Fund-based - ST-Bank Overdraft	ST	3.00	CARE A2+	-	-	-	-

\*Long-term; \*\* Short-term

**Annexure-3: Detailed explanation of covenants of the rated instrument – Not Applicable**

**Annexure-4 Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Bank Overdraft	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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