

**No. CARE/CRO/RR/2022-23/1041**

**Shri Niraj Kumar Ganeriwal**  
**Chief Financial Officer**  
**Saksoft Limited**  
SP Infocity, Block A, 2nd Floor,  
40, MGR Salai, Perungudi,  
Chennai  
Tamil Nadu 600096

September 16, 2022

Dear Sir,

**Credit rating of bank facilities for Rs.15 cr**

Please refer to our letter dated September 12, 2022 and rationale dated September 13, 2022 on the above subject.

2. The final rationale for the ratings is attached as an **Annexure-I**.
3. A write-up (press release) on the above ratings 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,



**Parvathavardhini Natarajan**  
Associate Director  
[P.Natarajan@careedge.in](mailto:P.Natarajan@careedge.in)

Encl.: As above

**Annexure I**  
**Rating Rationale**  
**Saksoft Limited**

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.00	CARE A; Stable (Single A; Outlook: Stable)	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
Short Term Bank Facilities	3.00	CARE A1 (A One)	Revised from CARE A2+ (A Two Plus)
<b>Total Bank Facilities</b>	<b>15.00</b> <b>(₹ Fifteen Crore Only)</b>		

Details of instrument / facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The revision in rating assigned to the bank facilities of Saksoft Limited (Saksoft) factors in the improved business risk profile characterised by sustained improvement in the scale and accruals. The company has capitalised on the strong relationships with customers and increased focus on its clients across all verticals and geography with effective upselling and cross-selling thereby leading to increased revenue per client. The rating continues to derive strength from the company's long operational track record, long relationship with reputed customers evidenced by repeat orders, vast industrial experience of the promoters with a well-qualified management team and Saksoft's integrated capabilities arising out of past acquisitions. However, the rating remains constrained by competitive and fragmented nature of IT industry, risk of client and geographic concentration.

**Rating Sensitivities**

**Positive Factors - Factors that could lead to positive rating action/upgrade:**

- Improvement in the scale of operations above Rs.750 crore with lower client concentration
- Improvement in margins over 20% on sustained basis

**Negative Factors - Factors that could lead to negative rating action/downgrade:**

- 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 14%

**Detailed description of the key rating drivers**

**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 completed his MBA from Northeastern University, Boston, USA, and has over two decades of experience in the banking and financial services industry, having served in senior positions in Chase Manhattan Bank, New York and Citibank North America.

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 Digital Transformation partner**

Saksoft specialises in enabling customers transform their business digitally through legacy modernisation and intelligent automation.

The revenue share across the different segments is given below:

Revenue Share across segments (Rs. Crore)	FY19	%	FY20	%	FY21	%	FY22	%	Q1FY23	%
Business Intelligence /Information Management	168	47	165	46	177	46	192	40	56	38
Application Development	140	39	144	40	158	41	234	49	72	49

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Revenue Share across segments (Rs. Crore)	FY19	%	FY20	%	FY21	%	FY22	%	Q1FY23	%
Testing Services	50	14	50	14	50	13	54	11	19	13
<b>Total</b>	<b>358</b>		<b>359</b>		<b>385</b>		<b>480</b>		<b>147</b>	

Application development remains the focus of the company and has grown significantly over the past three years at a CAGR of 18%. Post-COVID, digital transformation activities were accelerated which led to better opportunities in this segment and the company has seen a growth of 48% in FY22 in the segment. Application development includes cloud solutions and legacy modernization which has gained more relevance post-COVID. Though the initial contracts are for one year, through effective data mining, product improvements and migration the company continues to support and manage the application which ensures consistency in the revenue and repeat business.

#### Continued growth in TOI and stable profit margins

The company has seen continued growth in scale over the past few years. The TOI has grown at a CAGR of 13% over the past 5 years. In FY22, post COVID, the company has seen a significant growth of 25% in its TOI while maintaining similar margins. This trend is continuing in Q1FY23, with the company posting a PBILDT of 16% on a TOI of Rs. 148 crore representing an annualised growth of 25% over FY22. PBILDT margins have been stable at 16%-17% for the past few years.

The key determinants in margins are employee cost and third-party service costs. The company strikes a judicious combination of these two factors to ensure optimal utilisation, a proactive workforce pool for new projects/customers and effective cost optimisation.

In terms of staff costs, the company keeps employee utilization at over 80%. Although the number of employees has increased in proportion to the growth, the cost per employee has remained at similar levels in recent years as the company continues to pursue the concept of "work from anywhere", which paves the way for decentralized and distributed working and the company could capitalize on this by hiring more people from Tier I and Tier II cities. The company is also gradually moving towards more off-shoring. Over the last 5 years the company has increased its off-shore mix from 47% in FY18 to 53% in FY22.

#### Focus on select niche verticals to enhance revenue growth:

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.

There has been growth in all the sectors it operates in especially post covid. Revenue from Logistics, Fintech and Telecom sector has seen good growth in the past few years. The interconnected nature of verticals also allows the company to cross-sell offerings to their clients.

Vertical	FY19		FY20		FY21		FY22		Q1FY23	
	TOI	%	TOI	%	TOI	%	TOI	%	TOI	%
Transportation and logistics	39	11	36	10	35	9	48	10	15	10
Fintech	111	31	104	29	104	27	135	28	49	33
Health care and Retail and e-commerce	32	9	47	13	42	11	43	9	9	6
Public Sector	36	10	39	11	39	10	24	5	6	4
Telecom	57	16	72	20	89	23	96	20	28	19
Others	82	23	65	18	77	20	135	28	41	28
<b>Total</b>	<b>358</b>		<b>359</b>		<b>386</b>		<b>481</b>		<b>148</b>	

#### Intense competition and industry risk

Saksoft is a relatively moderate-scale player in the IT services industry which is dominated by large multinationals with deep pockets. The industry faces intense competition due to low entry barriers. The industry also faces challenge from rapid technological changes, which may lead to obsolescence of certain software/services.

IT being a labour-intensive industry, the availability and retention of a skilled workforce, attrition levels and wage inflation poses a challenge. The players in this industry are also exposed to macro-economic factors like adverse changes in U.S. laws, including those relating to outsourcing and immigration inherent to the IT services sector remain challenges in the future. In Indian IT industry, the contribution of the US market in the revenues earned by Indian IT companies is around 40 per cent and another major share comes from Europe. Revenues and margins are exposed to forex risks, however, it is mitigated to a certain extent with company's hedging mechanisms. In case of recession, the IT spending would be

impacted in these regions and margins of the companies would be under pressure. IT being discretionary spend, any cost reduction initiative would result in reduction in IT spends by the clients.

### Client and geographic concentration

The company derived 77% of its revenue from USA and Europe in FY22. Both these geographies are the largest markets in the IT Space. Saksoft also has managed to add some domestic customers over the years as well, however the share of US and UK remains high at 77-78% over the past 3 years.

The company mainly serves clients in the mid-size segment within turnover range of USD 200 million - 5 billion and the order size of the company from each company remains at sub USD 1 million. However, there is a gap between top clients and the rest as some large, reputed players contribute to more than USD 1 million revenue. Due to this, the client concentration on top five clients has remained high over the years and has increased from 42% in FY18 to 48% in FY22 with top two customers contributed to a significant share of TOI of about 31% in FY22. 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 spanning to many years.

### Industry Prospects

Digital transformation initiatives by enterprises grew manifold during the pandemic, with much greater realization of the need for digitization. The Covid-19 crisis has reshaped the globe significantly. It has resulted in years of change in the way organizations in all sectors and regions do business with a huge shift in technology adoption and digitization across the globe. The driver of long-term growth is the structural shift within the technology market, leading to growing primacy of IT services. Robotics, artificial intelligence, cybersecurity, Internet of Things (IoT), among others are expected to be the key technology focus areas in the medium term. While the IT spending forecasts remain positive, a slowdown in the US and UK economy would impact the IT spending of the clients in these geographies. The company's ability to add and diversify its customer base while maintaining stable margins remains key to the prospects of the company.

### Liquidity - 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.105 crore as on March 31, 2022 against minimal repayment obligation. On a standalone basis, the company has a cash and bank balances of Rs. 10 crore. The company has working capital facility to a total 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.

Name of subsidiaries	% of holding
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%
Name of step-down subsidiaries	% of holding
Nanda Infotech Services Inc.	100%
Faichi Solutions Inc.	100%
Acuma Solutions Limited	100%
Saksoft Ireland Limited	100%
Three Sixty Logica Testing Services Pte	100%
DreamOrbit Inc.	100%
MC Consulting Pte Ltd, Singapore	100%
MC Consulting Malaysia SDN	100%

## Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

## 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, 2022, Saksoft had five wholly-owned subsidiaries and seven step-down subsidiaries across geographies like US, UK, and Singapore.

## Financial Performance

(Rs. Crore)

For the Period Ended / as at March 31,	2020	2021	2022	Q1FY23
	(12m, A)	(12m, A)	(12m, A)	(3m, Prov.)
<b>Working Results</b>				
Net Sales				
Total Operating Income	362.13	385.81	481.72	148.02
PBILDT	64.47	64.43	80.31	25.65
Interest	5.14	3.44	2.78	0.49
Depreciation	7.27	6.67	6.94	2.18
PBT	52.51	58.39	80.38	22.98
PAT	38.66	45.45	63.27	17.80
Gross Cash Accruals	44.75	50.60	70.03	19.98
<b>Financial Position</b>				
Equity Capital	9.94	9.96	10.01	
Net-Worth	206.18	259.29	318.51	
Total Capital Employed				
<b>Key Ratios</b>				
<b>Growth</b>				
Growth in Total Income (%)	0.80	6.54	24.86	
Growth in PAT (after deferred tax) (%)	1.16	17.60	39.13	
<b>Profitability</b>				
PBILDT/Total Op. Income (%)	17.80	16.70	16.67	17.33
PAT (after deferred tax)/Total Income (%)	10.67	11.78	13.13	12.03
ROCE (%)	27.55	27.58	29.77	
<b>Solvency</b>				
Debt Equity Ratio (times)	0.17	0.14	0.06	
Overall Gearing Ratio (times)	0.17	0.14	0.06	
Interest Coverage (times)	12.54	18.70	28.92	52.35
Term Debt/Gross Cash Accruals (years)	0.78	0.69	0.30	
Total Debt/Gross Cash Accruals (years)	0.69	0.30	0.25	
Term Debt/PBILDT (years)	0.54	0.54	0.26	
Total Debt/PBILDT (years)	0.55	0.54	0.26	
Total External Debt / PBILDT				

For the Period Ended / as at March 31, (times)	2020	2021	2022	Q1FY23
	(12m, A)	(12m, A)	(12m, A)	(3m, Prov.)
<u>Liquidity</u>				
Current Ratio (times)	2.31	2.63	2.17	
Quick Ratio (times)	2.31	2.63	2.17	
<u>Turnover</u>				
Average Collection Period (days)	66	62	64	
Average Inventory Period (days)	0	0	0	
Average Creditors Period (days)	29	28	25	
Operating Cycle (days)	38	34	39	

A: Audited; Prov.: Provisional

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

**Any other information:** Not Applicable

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

**Details of rated facilities:** Please refer Annexure-3

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE A; Stable
Fund-based - ST-Bank Overdraft		-	-	-	3.00	CARE A1

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT*	-	-	-	1)Withdrawn (07-Sep-21)	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)
2	Fund-based - LT-Cash Credit	LT	12.00	CARE A; Stable	-	1)CARE A-; Positive (07-Sep-21)	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)
3	Fund-based - ST-Bank Overdraft	ST**	3.00	CARE A1	-	1)CARE A2+ (07-Sep-21)	-	-

\*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 Complexity level of various instruments rated for this Company

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

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Annexure-5: Detailed explanation of covenants of the rated instrument – Not Applicable**

## Contact Us

### Media Contact

Name: Mr Mradul Mishra  
Contact No.: +91-22-6754 3596  
Email ID - [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name: Mrs Parvathavardhini Natarajan  
Contact no.: +91-44-2850 1000  
Email ID: [p.natarajan@careedge.in](mailto:p.natarajan@careedge.in)

### Relationship Contact

Name: Mr V. Pradeep Kumar  
Contact No.: +91-44-2850 1001  
Email ID: [pradeep.kumar@careedge.in](mailto:pradeep.kumar@careedge.in)

**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

**Disclaimer**

The ratings issued by CARE Ratings Limited 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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 Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited'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 II**  
**Press Release**  
**Saksoft Limited**

**Ratings**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>2</sup>	Rating Action
Long Term Bank Facilities	12.00	CARE A; Stable (Single A; Outlook: Stable )	Revised from CARE A-; Positive (Single A Minus; Outlook: Positive)
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<b>Total Bank Facilities</b>	<b>15.00</b> <b>(₹ Fifteen Crore Only)</b>		

Details of instrument / facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The revision in rating assigned to the bank facilities of Saksoft Limited (Saksoft) factors in the improved business risk profile characterised by continued improvement in the scale and accruals. The company has capitalised on the strong relationships with customers and increased focus on its clients across all verticals and geography with effective upselling and cross-selling thereby leading to increased revenue per client. The rating continues to derive strength from the company's long operational track record, long relationship with reputed customers evidenced by repeat orders, vast industrial experience of the promoters with a well-qualified management team and Saksoft's integrated capabilities arising out of past acquisitions. However, the rating remains constrained by competitive and fragmented nature of IT industry, risk of client and geographic concentration.

**Rating Sensitivities**

**Positive Factors - Factors that could lead to positive rating action/upgrade:**

- Improvement in the scale of operations above Rs.750 crore with lower client concentration
- Improvement in margins over 20% on sustained basis

**Negative Factors - Factors that could lead to negative rating action/downgrade:**

- 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 14%

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**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 completed his MBA from Northeastern University, Boston, USA, and has over two decades 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. 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. Application development remains the focus of the company and has grown significantly over the past three years at a CAGR of 18%. Post-COVID, digital transformation activities were accelerated which led to better opportunities in the application development segment which has improved by 48% in FY22. Though the initial contracts are for one year, through effective data mining, product improvements and migration the company continues to support and manage the application which ensures consistency in the revenue and repeat business.



<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### **Continued growth in TOI and stable profit margins**

The company has seen continued growth in scale over the past few years. The TOI has grown at a CAGR of 13% over the past 5 years. In FY22, post COVID, the company has seen a significant growth of 25% in its TOI while maintaining similar margins. This trend is continuing in Q1FY23, with the company posting a PBILDT of 16% on a TOI of Rs. 148 crore representing an annualised growth of 25% over FY22. PBILDT margins have been stable at 16%-17% for the past few years.

The key determinants in margins are employee cost and third-party service costs. The company strikes a judicious combination of these two factors to ensure optimal utilisation, a proactive workforce pool for new projects/customers and effective cost optimisation.

In terms of employee costs, the company maintains utilisation of employees above 80%. Although the number of employees has increased in proportion to the growth, the cost per employee has remained at similar levels in recent years. The margins are also aided by company gradually moving more towards off-shoring model. Over the 5 years the company has increased its off-shore mix from 47% in FY18 to 53% in FY22.

### **Focus on select niche verticals to enhance revenue growth:**

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.

There has been growth in all the sectors it operates in. The verticals it operates in also has seen its importance grow after Covid. Logistics, Fintech and Telecom sector has seen good growth in the past few years. The interconnected nature of verticals also allows the company to cross-sell offerings to their clients.

### **Key Rating weaknesses**

#### **Intense competition and industry risk**

Saksoft is a relatively moderate-scale player in the IT services industry which is dominated by large multinationals with deep pockets. The industry faces intense competition due to low entry barriers. The IT industry also faces challenge from rapid technological changes, which may lead to obsolescence of certain software/services. Further, revenues and margins are exposed to forex risks, however, it is mitigated to a certain extent with company's hedging mechanisms.

IT being a labour-intensive industry, the availability and retention of a skilled workforce, attrition levels and wage inflation poses a challenge. The players in this industry is also exposed to macro-economic factors like adverse changes in U.S. laws, including those relating to outsourcing and immigration inherent to the IT services sector remain challenges in the future. In case of recession, the IT spending would be impacted in these regions and margins of the companies would be under pressure. IT being discretionary spend, any cost reduction initiative would result in reduction in IT spends by the clients. However, the verticals and client segment that Saksoft operates in would minimize the impact of such recession.

#### ***Client and geographic concentration***

The company derived 77% of its revenue from USA and Europe in FY22. Both these geographies are the largest markets in the IT Space. Saksoft also has managed to add some domestic customers over the years as well, however the share of US and UK remains high at 77-78% over the past 3 years. Going forward, acquisition of MC Consulting Pte in Singapore would also help in enhancing the revenue from APAC markets.

the client concentration on top five clients has remained high over the years and has increased from 42% in FY18 to 48% in FY22 with top two customers contributed to a significant share of TOI of about 31% in FY22. 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 Covid-19 crisis has reshaped the globe significantly. It has resulted in years of change in the way organizations in all sectors and regions do business with a huge shift in technology adoption and digitization across the globe. The driver of long-term growth is the structural shift within the technology market, leading to growing primacy of IT services. Robotics, artificial intelligence, cybersecurity, Internet of Things (IoT), among others are expected to be the key technology focus areas in the medium term. While the IT spending forecasts remain positive, a slowdown in the US and UK economy would impact the IT spending of the clients in these geographies. The company's ability to add and diversify its customer base while maintaining stable margins remains key to the prospects of the company.



### 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.105 crore as on March 31, 2022 against nil repayment obligation and cash and bank balances of Rs. 10 crore on a standalone basis. 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.

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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%
Name of step-down subsidiaries	% of holding
Nanda Infotech Services Inc.	100%
Faichi Solutions Inc.	100%
Acuma Solutions Limited	100%
Saksoft Ireland Limited	100%
Three Sixty Logica Testing Services Pte	100%
DreamOrbit Inc.	100%
MC Consulting Pte Ltd, Singapore	100%
MC Consulting Malaysia SDN	100%

### Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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### 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, 2022, Saksoft had five wholly-owned subsidiaries and six step-down subsidiaries across geographies like US, UK, and Singapore.

Brief Financials (Rs. crore)	FY21 (A)	FY22 (A)	Q1FY23 (Prov.)
Total operating income	385.81	481.72	148.02
PBILDT	64.43	80.31	25.65
PAT	45.45	63.27	17.80
Overall gearing (times)	0.14	0.06	NA
Interest coverage (times)	18.70	28.92	52.35

A: Audited; Prov.: Provisional

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

**Covenants of the rated instruments/facilities:** 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 instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE A; Stable
Fund-based - ST-Bank Overdraft		-	-	-	3.00	CARE A1

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT*	-	-	-	1)Withdrawn (07-Sep-21)	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)
2	Fund-based - LT-Cash Credit	LT	12.00	CARE A; Stable	-	1)CARE A-; Positive (07-Sep-21)	1)CARE A-; Stable (07-Sep-20)	1)CARE A-; Stable (14-Jan-20)
3	Fund-based - ST-Bank Overdraft	ST**	3.00	CARE A1	-	1)CARE A2+ (07-Sep-21)	-	-

\*Long term; \*\*Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not Applicable**

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

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

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact Us

### Media Contact

Name: Mr Mradul Mishra  
Contact No.: +91-22-6754 3596  
E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst Contact

Name: Mrs Parvathavardhini Natarajan  
Contact no.: +91-44-2850 1000  
Email ID: [p.natarajan@careedge.in](mailto:p.natarajan@careedge.in)

### Relationship Contact

Name: Mr V. Pradeep Kumar  
Contact No.: +91-44-2850 1001  
Email ID: [pradeep.kumar@careedge.in](mailto:pradeep.kumar@careedge.in)

### About us:

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