

7th July, 2017

To

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

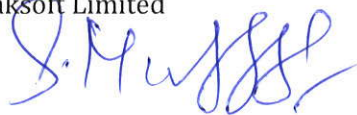
Sub: Intimation regarding Credit rating for bank facilities

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, this is to inform that Credit Analysis & Research Limited (CARE) ratings has reaffirmed the rating assigned to the long term and short term bank facilities of the Company.

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

Please take this information on record.

For Saksoft Limited



Company Secretary

Enc: a/a.



Annexure II
Saksoft Limited

Ratings

Facilities	Amount (Rs. crore)	Ratings²	Rating Action
Long-term Bank Facilities	28.75 [reduced from Rs.30 crore]	CARE BBB+; Positive (Triple B Plus; Outlook: Positive)	Reaffirmed
Short-term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	48.75 (Rupees Forty Eight crore and seventy five lakh only)		

Details of facilities in Annexure - 1

Detailed Rationale and Key Rating Drivers

The ratings assigned to the bank facilities of Saksoft Limited (Saksoft) continue to derive strength from the company's long operational track record, vast industrial experience of promoters with a well-qualified management team, strong client relationships and strong financial risk profile of the company marked by stable revenue growth, healthy, albeit moderated profitability levels and comfortable capital structure.

The ratings are, however, constrained by the medium sized operations of the company, customer & geographical concentration risk and intense competition present in the highly fragmented IT industry.

The ability of Saksoft to improve its revenues by adding new clients both in information management & testing segments, improve its profitability levels and manage the revenue concentration risk are key rating sensitivities.

Outlook: Positive

The outlook is "Positive" as CARE believes that going forward, with the shift in strategy of the company to move into higher margin services in the Information Management space, the company is expected to report higher operating profit and with low reliance on debt the capital structure is expected to remain comfortable. The outlook may be revised to 'Stable' if the company is not able to maintain its profitability levels or if there is any adverse change in the capital structure of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Vast industrial experience of the promoters and long track record of operations

Saksoft, founded by Mr Aditya Krishna (Chairman and Managing Director) in 1999, offers Information Management (IM) and Business Intelligence (BI) solutions and associated

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

services like application development, testing & quality control and solutions based on cloud, mobility and Internet of Things (IoT). Over the years, Saksoft has expanded its business by acquisitions which have given it access to new markets and niche technologies. The promoter group has over five decades of industrial experience and Mr Aditya Krishna has about 30 years of experience in the banking and financial services industry. The day to day affairs of Saksoft are overseen by experienced IT professionals heading various geographies with a well-defined organisation structure.

Stable revenue growth, healthy profitability levels and comfortable capital structure

During FY17, the company reported a total operating income Rs.261.34 cr. indicating a growth of 6.50% from total operating income of Rs.245.39 cr. reported during FY16. The profitability levels of the company moderated to 13.61% during FY17 from 15.41% during FY16 due to increased share of outsourced third party services and adverse exchange rate movement. Acquisition of Dreamorbit during Q3FY17 also had an impact on the margins.

The capital structure of the company remains comfortable with Debt Equity ratio of 0.32x and overall gearing of 0.33x as on March 31, 2017 as compared to Debt Equity ratio of 0.27x and overall gearing of 0.28x as on March 31, 2016.

Key rating Weakness

Medium sized operations with focus on niche Information Management space

Saksoft is a medium sized IT company with presence in the niche information management space within the IT industry. Within the segment, the company is present across the spectrum providing end to end services. Over the years, the company has been improving its scale of operations backed by organic and inorganic growth. Further, from FY16, the company has started targeting clients with turnover of upto USD 5 Billion as against the earlier target of USD 2 Billion.

Geographic and client concentration risk

The company derives about 91% of its revenue from USA (58%) and UK (34%) resulting in moderate geographic concentration of revenue. On the client concentration front, top 5 clients contributed 38.34% of the total revenue in FY17 as against 31.29% in FY16, mainly due to increased revenue from the top 2 clients. During FY16, about 60% of the total revenues came from existing clients and new clients/orders made up to the balance portion

Intense competition in the IT industry

Factors like wage inflation, employee attrition levels and adverse changes in U.S. and U.K. laws, including those relating to outsourcing and immigration 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 can impact the growth prospects of Saksoft.

Analytical approach: Consolidated

CARE continues to take a consolidated view of Saksoft and its subsidiaries, considering the strong operational and financial linkages. All the companies are engaged in similar line of business under a common management.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology: 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 December 31, 2016, Saksoft had 5 subsidiaries (3 wholly-owned subsidiaries, one where the company holds 76% stake and DreamOrbit Softech Private Limited - a recent acquisition, where the company holds 60%) and 4 step-down subsidiaries across geographies like US, UK, and Singapore.

During FY17, the company reported a net profit of Rs.20.84 crore on total operating income of Rs.261.34 crore as against net profit of Rs.21.78 crore on total operating revenue of Rs. 245.39 crore in FY16.

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

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

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.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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