Sasken Communication Technologies Limited

Instruments	Amounts	Rating Action
	Rs. Crore[1]	**December 2016**
Fund based facilities	50.0	[ICRA]A1+ / Assigned
Non-fund based facilities	40.0	[ICRA]A1+ / Assigned

ICRA has assigned the short term rating of [ICRA]A1+ (pronounced ICRA A one plus)[2] to the Rs.50.0 crore fund based facilities and the Rs.40.0 crore non-fund based facilities of Sasken Communication Technologies Limited (Sasken / the company).

The assigned rating takes into account Sasken's established track record and longstanding presence of over 25 years in the Indian information technology (IT) and IT enabled services (ITeS) industry with strong capabilities in embedded product designing. The company has a reasonably diversified and large base of customers and enjoys established relationships with partners which are expected to support its future business prospects. Sasken's financial profile remains comfortable characterized by robust ROCE (61.1% during FY2016), nil gearing and sound liquidity position. During the current fiscal, the company has announced a share buyback plan which is likely to entail an outlay in the range of Rs.120 crore. However, in ICRA's opinion, the company remains comfortable in meeting the same without any reliance on external borrowings given its strong cash and liquid investment balance of Rs.390 crore as on September 30, 2016.

Sasken's sizeable exposure to certain sectors with sluggish demand scenario resulted in pressure on its revenues over the last few years. However, ICRA notes that the company's conscious efforts towards diversifying its presence across other industry verticals such as smart devices, wearables and automotive among others is expected to lend stability to its business volumes going forward. Further, overall positive demand outlook for the Indian IT and engineering services outsourcing industry is expected to augur well for the company. The rating also takes into account relatively small scale of Sasken's operations in an industry characterized by high competitive intensity in turn restricting its pricing flexibility. The company's margins remain vulnerable to pressures arising from wage inflation, high attrition levels and volatility in foreign exchange rates. Going forward, the company's ability to expand and stabilize its operating margins, scale up its business while also maintaining its comfortable capital structure and debt protection metrics would remain key rating sensitivities.

Company Profile

Incorporated in 1989, Sasken Communication Technologies Limited is a small sized IT / ITeS company primarily engaged in providing product engineering and digital transformation services. Sasken's service offering spans across embedded software development, integrated circuit design, hardware design, board support packages, platform and application software, device data analytics, modem software solutions, connectivity services, smartphone software, testing and validation among others. The company caters to wide ranging industries such as Semiconductors, Automotive, Enterprise-grade Devices, Smart Devices and Wearables, Industrials, Retail, Public Safety, Satcom, and Telecom. With about 2,000 employees spread across Bangalore, Pune, Chennai and Hyderabad (India), Kaustinen and Tampere (Finland), and Beijing (China), the company caters to a large base of over 140 active customers. Additionally, Sasken also has a presence across Germany, Japan, UAE, UK, and USA.

Recent results (Consolidated)

During H1 FY2017, the company reported net profit of Rs.25.2 crore on operating income of Rs.240.2 core as against net profit of Rs.20.4 crore on operating income of Rs.237.1 crore during the same period previous fiscal. For FY2016, Sasken reported net profit of Rs.206.3 crore on operating income of Rs.483.2 crore.

December 2016

[1] 100 lakhs = 1 crore = 10 millions

[2] For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

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