July 27, 2017

Sasken Technologies Limited (Revised)

Sasken Technologies Limited has announced its quarterly results on July 18, 2017.The company reported operating income of Rs.117.6 crore with operating income (OPITDA) of Rs. 12.8 crore and Profit after tax (PAT) of Rs. 17.3 crore in Q1FY2018 against operating income of Rs. 121.2 crore with OPITDA of Rs18.7 crore and PAT of Rs 20.2 crore in Q1FY2017. The company maintains its debt free position with sound liquidity cushion in the form of cash and liquid investments of over Rs. 420 crore as on June 30, 2017.

The results are broadly in line with expectations.
ICRA currently has outstanding ratings of [ICRA]A1+. The 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 (15.7% during FY2017), nil gearing and sound liquidity position.

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. The rating also takes into account the 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.

The previous rating rationale is available on the following link: Sasken Technologies Limited rationale

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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