

February 14, 2017

DSM Soft Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Long term: Fund based limits	14.0 (Revised from 10.0)	[ICRA]B+(Stable) / reaffirmed
Short term: Fund based limits	0.0 (Revised from 4.0)	[ICRA]A4 / Rating withdrawn

*Instrument details are provided in Annexure-1

Rating Action

ICRA has reaffirmed the long-term rating of [ICRA]B+ (pronounced ICRA B plus) outstanding on the Rs. 14.00 crore (revised from Rs. 10 crore) long term fund based facilities of DSM Soft Private Limited (“DSM”/ “the company”). The outlook of the long term rating is Stable. ICRA has withdrawn the short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 4.00 crore fund based limits of the company as there is no amount outstanding against the rated instrument.

Rationale

The rating reaffirmation factors in the long standing experience and track record of the company in providing software services in the geospatial and engineering domains. The ratings are also supported by diversified customer base of the company across geographies. Rating also factors in the improvement in financial risk profile in FY2016 marked by higher net profit margin and lower gearing. The rating, however, continues to be constrained by the modest scale of operations, high working capital intensity, high gearing on an absolute level and the susceptibility of company’s revenues to fluctuations in the order flow. The ratings also take note of vulnerability of margins to forex risk.

Going forward, the company’s ability to increase its scale of operations, improve the gearing level, and maintain optimal working capital intensity will be the key rating sensitivity.

Key rating drivers

Credit Strengths

- Track record of the company in providing geospatial services for more than a decade
- Reputed customers in several geographic locations; Marketing in overseas location aided by subsidiary company
- Improvement in financial risk profile in FY2016 marked by higher net profit margin and lower gearing

Credit Weakness

- Modest scale of operations
- Financial performance susceptible to forex fluctuations
- Weak Financial risk profile marked by high gearing and high working capital intensive operations

Description of key rating drivers highlighted above:

The company derives most of its revenues from the services segment; mainly in Geospatial and Engineering domains. The company has established relationships with clients like national mapping agencies in U.K and Australia and also caters to customers in other regions like South Africa, Canada and Oman. The sales and marketing for overseas locations is also supported by its subsidiary – DSM Geodata Limited in Scotland and the company has received repeat orders from several customers. The company has tied up contracts to provide vehicle tracking and fuel tracking service on a subscription based business model. This subscription based revenue has supported the top line of the company in FY 2016 and is also expected to aid the revenue growth for the company in the near to medium term. The company’s order book as on date is healthy and comparable to historical levels. Moreover, some of the orders are recurring in nature due to subscription based revenue model. The geographic concentration is also moderate compared to previous year with orders from regions like UK, Australia, Oman, India, USA. The project to provide vehicle tracking and fuel tracking service has started bearing steady revenue in the current fiscal and going forward this project will be the major revenue earner on a recurring basis.



The company's scale of operations remains modest which in turn restricts operational and financial flexibility to an extent. The revenue declined in FY2016 as some of the projects were delayed and also WIP remained high as on March 31, 2016. Margins also remain susceptible to forex fluctuations as the clientele are located in variety of countries across the globe. The company continues to have high working capital on account of high inventory days, mainly due to work in progress projects. The receivable days though improved in March 2016 on the back of improvement in collections still remains high on account of lumpiness in order execution towards the year end. Additionally, in some cases, due to stringent quality checks employed by clients the receivables period tends to be on higher side. As on March 31, 2016, the company had gearing of 2.1 and it had also availed Rs 5.2 crore of unsecured loans from the directors and shareholders out of total debt of Rs 19.1 crore. In FY2016, despite lower interest costs, the coverage indicators remained at the same level as of FY2015 due to decline in operating profit. Going forward, with repayments of loans and expected positive accretion to reserves the gearing is set to improve.

Links to applicable Criteria

[Corporate Credit Rating –A Note on Methodology](#)

About the Firm:

DSM Soft Private Limited ('DSM Soft'/ the company) was incorporated in 1991. DSM Soft is a service provider in the Geospatial, Engineering and Publishing domains. It has over 17 years of experience in the industry and established relationship with its clients over the years. The company is operating in 3 different domains: Geospatial, Engineering and Publishing.

It has production centers in Chennai, Tiruchirapalli and Pondicherry in India and an office in Bo'ness in UK. The company also has wholly owned subsidiary based out of Scotland, DSM Geodata Ltd. It currently has an employee base of around 350 and provides services to clients in various regions; predominantly in Europe, Australia and India. In addition to working directly with customers, the company also works through business partners in various regions of the world, who have strong technical expertise and access in local markets.

In FY2016, the company had reported a net profit of Rs 1.6 crore on an operating income of Rs 13.9 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years	
		Type	Rated amount (Rs. Crores)	Month-year & Rating FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
				February 2017	February 2016	December 2014
1	Fund based facility	Long Term	14.00	[ICRA]B+(Stable)	[ICRA]B+	[ICRA]B-
2	Fund based facility	Short term	-	[ICRA]A4 (Withdrawn)	[ICRA]A4	[ICRA]A4

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Dropline Overdraft	April 2016	-	March 2026	4.00	[ICRA]B+(Stable)
Dropline Overdraft	April 2016		September 2022	10.00	[ICRA]B+(Stable)

Name and Contact Details of the Rating Analyst(s):
Analyst Contacts
Srinivasan R

+91 44 4596 4315
r.srinivasan@icraindia.com

Rathina Pradeep R

+91 44 4297 4307
Rathina.r@icraindia.com

Vandana Nahata

+91 44 4596 4313
vandana.agarwal@icraindia.com

Name and Contact Details of Relationship Contacts:
Jayantac Chatterjee

+91 80 4332 6401
jayantac@icraindia.com

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. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500