

Sasken Technologies Limited

January 22, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based- Working Capital Facilities	50.0	50.0	[ICRA]A1+; Reaffirmed
Non-fund based-Working Capital Facilities	40.0	40.0	[ICRA]A1+; Reaffirmed
Total	90.0	90.0	

Rating action

ICRA has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 50.0-crore¹ fund-based facilities and the Rs. 40-crore non-fund based facilities of Sasken Technologies Limited (Sasken/ the company)².

Rationale

The rating reaffirmation favourably factors in the established market position of the company with a track record of more than 25 years in Information Technology (IT) and IT enabled service (ITeS) space, primarily in the field of product engineering and digital transformation. The company derived a major part of its revenues from the semi-conductor and telecom industries, wherein it caters to a large base of reputed customers, spread across geographies, providing revenue stability. At present, Sasken is also in the process of diversifying into relatively newer segments namely automotive electronics, semi-conductor, communication, industrial automation and consumer - which are likely to support its business prospects going forward. The rating also draws comfort from the company's strong financial profile, which continues to be characterised by comfortable capital structure and sound debt-protection metrics supported by nil debt. Cash and investments to the tune of Rs. 437 crore as on September 30, 2017, further provide cushion to the credit profile of the company. Sasken's revenues are also likely to be supported by growth in the product-engineering segment, globally.

The rating also takes into account Sasken's modest scale of operations and the intense competition in the industry characterised by the presence of large domestic players, which in turn affects the pricing flexibility of the company. Further, relatively commoditised services, wage inflation and exchange-rate fluctuations continue to affect its margins to a certain extent. Sizeable exposure to semi-conductor and telecom industries also exposes the company to downturns in the respective industries.

¹ 100 lakh = 1 crore = 10 million

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

Key rating drivers

Credit strengths

Large base of customers lends revenue stability - With a conscious effort to improve its revenue mix, Sasken has diversified its customer base. The customer concentration from its top-five customers reduced to ~42% in Q2 FY2018 from ~60% in FY2009. However, ICRA notes that while the company has added new customers across verticals, its top-ten customers largely remain the same.

Diversified revenues across geographies insulate Sasken from country-specific risks - While a major number of players in the IT-services industry derive ~60% of their revenues from the USA, Sasken enjoys a fairly diversified mix. The company derived ~37%, 29% and 26% of its revenues from North America, India and Europe respectively in H1 FY2018.

Financial profile characterised by sound debt-protection metrics and strong liquidity position - With nil debt and a net worth of Rs. 584.6 crore as on September 30, 2017, the company continues to enjoy a strong capital structure. Its liquidity profile also remains strong supported by cash and investments to the tune of Rs. 437 crore as on September 30, 2017.

Positive long-term outlook for the product-engineering industry to support future prospects - The product engineering industry is likely to grow based on the global shift in R&D budgets of original equipment manufacturers (OEMs) towards software and services. With expertise and established presence in this segment, the company is likely to benefit from the growth of the industry.

Credit challenges

Moderate scale of operations in an intensely competitive industry - The IT industry is characterised by intense competition from large players enjoying scale benefits and higher bargaining power. With an operating income (OI) to the tune of Rs. 468 crore in FY2017, Sasken has a relatively small scale of operations restricting its ability to secure large orders, limiting scale benefits and bargaining power, which in turn affects its pricing flexibility. The company also remains susceptible to industry-specific risks, such as exchange-rate fluctuations and wage inflation.

Sizeable exposure to certain sectors witnessing sluggish demand - The company offers services predominantly to the semi-conductor and telecom industry. However, in the past, with sluggish demand in these industries, its revenues have dwindled. To insulate itself from industry-specific slowdown, at present, Sasken is diversifying into newer segments to ensure its revenue stability.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for entities in Information Technology Industry](#)

About the company:

Incorporated in 1989, Sasken Technologies Limited is a small-sized IT / ITeS company primarily involved in providing product engineering and digital-transformation services. Sasken's service offering spans across development, life-cycle extension and sustenance of semi-conductors, platforms, network elements (voice and data) including terrestrial and satellite, customer-owned equipment like handsets, set-top boxes and lifestyle / consumer products. The company caters to a wide range of domains such as semi-conductors, 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), Sasken caters to a large base of over 126 customers. Additionally, Sasken also has a presence across Germany, Japan, the UK, and the USA.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	483.2	468.9
PAT (Rs. crore)	206.3	73.7
OPBDIT/ OI (%)	9.9%	9.7%
RoCE (%)	61.1%	15.7%
Total Debt/ TNW (times)	0.0	0.0
Total Debt/ OPBDIT (times)	0.0	0.0
Interest Coverage (times)	252.2	494.2
NWC/ OI (%)	15.3%	24.8%

Source: Sasken Technologies Limited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2018)		Date & Rating January 2018	Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)		Date & Rating in FY2017 December 2016	Date & Rating in FY2016	Date & Rating in FY2015	
1	PCFC	Short Term	50.00	-	[ICRA]A1+	[ICRA]A1+	-	-
2	Letter of Credit	Short Term	40.00	-	[ICRA]A1+	[ICRA]A1+	-	-

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	PCFC	16.07.2015	NA	-	50.00	[ICRA]A1+
NA	Letter of Credit	16.07.2015	NA	-	40.00	[ICRA]A1+

Source: Sasken Technologies Limited

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