



## Press Release

### Tera Software Limited (TSL)

March 13, 2024

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facilities – Cash Credit	30.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating Reaffirmed; Outlook assigned and removed from Rating Watch with Negative Implications	Simple
Long Term Fund Based Facilities – Bank Guarantee	68.30	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Rating Reaffirmed; Outlook assigned and removed from Rating Watch with Negative Implications	Simple
<b>Total</b>	<b>98.30</b>	<b>(Rupees Ninety-Eight crore and Thirty lakh only)</b>		

**Details of Facilities are in Annexure 1**

#### Rating Action

The resolution of Rating watch with negative implications and assignment of 'Stable outlook' reflects clarity given by TSL management on news item related to TSLs MDs name involved in AP Fibernet Scam Case. TSL has given undertaking that neither TSL nor its directors have any relationship or financial transactions with Fastlane Information Technologies Private Limited (the company whose name has appeared in the news item related to AP Fibernet Scam). Infomerics believes that any action against Fastlane Information Technologies Private Limited is unlikely to impact credit as well as financial profile of the company.

#### Detailed Rationale

The ratings continue to derive support from comfortable capital structure, geographically diversified operations, and experienced promoters and management. However, client concentration risk, uncertainty involved with the number of projects due to bidding nature of



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the TSL's revenue sources and working capital intensive nature of the company's operations are the rating constrains.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial growth in scale of operations with improvement in profitability.
- Steady flow of orders & timely execution of the same on a sustained basis.

#### **Downward Factors**

- Any further decline in revenue & profitability leading to deterioration of debt protection metrics.
- Elongation in working capital cycle.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Comfortable Capital Structure**

TSL's capital structure continued to remain comfortable in FY23 due to absence of term loans. TSL's overall gearing and TOL/TONW of the company stood at 0.23x and 0.85x respectively in FY23 from 0.58x and 1.60x in FY22.

##### **Geographically Diversified Operations**

TSL has its headquarters in Hyderabad and operations in many Indian States providing its extensive knowledge of the ground reality of the geography it operates and thus the opportunity to develop tailor-made solutions keeping the local needs in mind. Such diverse geographical presence helps TSL to avoid geographical concentration risk. Also, having a pan India presence provides TSL advantages over other small players.

##### **Experienced promoters and Management**

Mr. Gopichand Tummala is Vice Chairman & Managing Director of TSL and has more than three decades of experience in the industry. He is supported by the Board of directors having vast management experiences from their stints in various government and private agencies. Highly experienced management helps the company successfully bidding and winning important contracts from the Government as also, steering the company in volatile times.



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### **Key Rating Weaknesses**

#### **Client Concentration Risk**

In FY22, the top five clients of TSL has shared around ~ 96% of its total revenue, with the contribution of its top client alone being ~ 59%. A similar trend has been observed in previous years as well. The concentration risk is high for the company with dependence on a small group of clients.

#### **Uncertainty involved with the number of projects due to bidding nature of the Company's revenue sources**

Nearly 94% of company's revenue comes from government projects that are awarded through closed bidding processes. There is always uncertainty to the number of projects that would come up in any financial year. This risk would persist in future as well. Also, as the projects are funded by the government bodies, the risk of delays and cost overrun too exists.

#### **Working Capital Intensive Operations**

The average collection period for FY23 is 488 days implying working capital-intensive operations where much of the company cash is locked up with the customers. The average creditors days has decreased from 286 days in FY22 to 165 days in FY23. On average, the company takes more than three months to make payment of their suppliers.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Criteria of Rating Outlook](#)

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Default Recognition](#)



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### **Liquidity – Stretched**

The liquidity position of the company remains stretched as cash accruals are expected to match tightly with debt repayment obligations. The cash and cash equivalents as on March 31, 2023, stood at Rs. 16.01 crore. The current ratio stood at 1.93x as on March 31, 2023. The operating cycle is stretched for FY23 at 327 days.

### **About the Company**

TSL was founded in year 1994 by Mr. Gopichand Tummala. The company is into e-governance - developing and implementing technological solutions for different government bodies in India. Around ~ 96% of business comes from government bodies whereas private projects constitute the remaining part of its revenue. Having its headquarters at Hyderabad, 3 currently TSL has its operations in around 22 Indian states. It went public in the year 2000. TSL provides services in e-governance and development of enterprise information system for sales tax, public distribution system, registrations, education, road transports, UIDAI (Aadhar) & NPR (National Population Register) etc. It is ISO 9001:2015, ISO 20000-1:2011 and ISO 27001:2013 certified for its processes across the organization.

### **Financials (Standalone):**

<b>For the year ended / As on</b>	<b>31-03-2022</b>	<b>31-03-2023</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	127.14	130.80
EBITDA	7.55	(9.91)
PAT	(1.30)	3.47
Total Debt	60.54	24.15
Tangible Net-Worth	108.39	109.86
<b>Ratios</b>		
EBITDA Margin (%)	5.94	(7.57)
PAT Margin (%)	(1.00)	2.22
Overall Gearing Ratio (x)	0.58	0.23

\* Classification as per Infomerics' standards

### **Status of non-cooperation with previous CRA:**

India Ratings and Research continued to maintain the ratings assigned to TSL's bank facilities in the 'Issuer Not Cooperating' category vide Press Release dated August 16, 2023, due to non-submission of information by the company.



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Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (March 6, 23)	Date(s) & Rating(s) assigned in 2021-22 (Jan 28, 22)
1.	Cash Credit	Long Term	30.00	IVR BB+/ Stable	<b>(May 18, 2023):</b> IVR BB+/ Stable <b>(December 15, 2023):</b> IVR BB+/ Rating Watch with Negative Implications	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable
2.	Bank Guarantee (Sub-Limit LC)	Long Term	68.30	IVR BB+/ Stable	<b>(May 18, 2023):</b> IVR BB+/ Stable <b>(December 15, 2023):</b> IVR BB+/ Rating Watch with Negative Implications	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable
3.	Working Capital Demand Loan/working capital (under COVID-19)	Long Term	--	--	--	--	Withdrawn
4.	Proposed Bank Guarantee	Long Term	--	-	<b>(May 18, 2023):</b> Withdrawn	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable



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### **About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	30.00	IVR BB+/ Stable
Bank Guarantee (Sub-Limit LC)	--	--	--	68.30 (18.00)	IVR BB+/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Len-Tera-Software-13032024.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).