



Press Release

Tera Software Limited (TSL)

December 15, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facilities – Cash Credit	30.00	IVR BB+/ Rating Watch with Negative Implications (IVR Double B Plus placed on Rating Watch with Negative Implications)	Rating moved on Rating Watch	Simple
Long Term Fund Based Facilities – Bank Guarantee	68.30	IVR BB+/ Rating Watch with Negative Implications (IVR Double B Plus placed on Rating Watch with Negative Implications)	Rating moved on Rating Watch	Simple
Total	98.30	(Rupees Ninety-Eight crore and Thirty lakh only)		

Details of Facilities are in Annexure 1

Rating Action

IVR has placed the ratings of TSL on the ratings watch with negative implications following the news article where TSL's MD's name was mentioned related to AP Fibernet scam case. Though, IVR seek clarity on this news from the management on this news item, however we didn't get any explanation on this news item.

Considering the given developments, Infomerics shall closely monitor the situation and for any legal actions against the Managing Director of TSL will have an adverse impact on the company's operating performance as well as liquidity position of TSL.

Detailed Rationale



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The ratings continue to derive support from comfortable capital structure, geographically diversified operations, and strong product profile. However, client concentration risk, uncertainty involved with the number of projects due to bidding nature of the TSL's revenue sources and working capital intensive nature of the company's operations are the rating constrains.

Key Rating Sensitivities:

Upward Factors

- No major impact on liquidity and financial position on TSL on account tax evasion case against the managing director of TSL could result in outlook revised to stable.

Downward Factors

- Negative impact on financial and liquidity position on TSL on account of ongoing tax evasion case against the managing director of TSL could result in rating downgrade.

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.

Key Rating Weaknesses

Client Concentration Risk



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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 \(Non- Financial Sector\)](#)

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



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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):

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
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
Ratios		
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.

Any other information: Nil

Rating History for last three years:



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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 (May 18, 23)	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+/ Rating Watch with Negative Implications	IVR BB+/ Stable	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable
2.	Bank Guarantee (Sub-Limit LC)	Long Term	68.30	IVR BB+/ Rating Watch with Negative Implications	IVR BB+/ Stable	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	--	-	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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities



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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+/ Rating Watch with Negative Implications
Bank Guarantee (Sub-Limit LC)	--	--	--	68.30 (18.00)	IVR BB+/ Rating Watch with Negative Implications

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-dec23.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.