September 2, 2010

CARE UPGRADES THE RATING ASSIGNED TO BANK FACILITIES OF R. S. SOFTWARE LTD.

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	25.0	**'CARE BBB' (Triple B)**	Revised from CARE BBB- [Triple B minus]
Total Facilities	**25.0**		

Rating Rationale

The revision in rating takes into account notable improvement in profitability and other financial parameters in FY10. The aforesaid rating also continues to derive strength from the experience of the promoter, long track record in providing maintenance services for electronic payment industry globally and positive industry scenario for global electronic payment service industry. The rating is however, constrained by client concentration risk, rising employee cost, intense competition, company's exposure to foreign exchange fluctuation risk and dependence on the fortunes of global software industry. Ability of the company to improve its profitability further, capture more business from existing & new clientele and improvement in outlook of software industry both in the domestic and global fronts are the key rating sensitivities.

Company Profile

R. S. Software (India) Ltd. (RSSL) was set up as a private limited company by Shri R. R. Jain of Kolkata in December, 1987. It became a public limited company in March 1994.

RSSL is engaged in maintenance of the payment networks globally and provides technology solutions to the users of the payment industry. It has developed and maintained mission critical applications for leading payment networks in North America, Japan and UK. The company delivers high quality solutions for payment networks, processors, acquires, issuers, and other payment industry companies and it has offices in US, UK and India.

On net sales of Rs.161.8 crore, RSSL earned a PBILDT and PAT (after defd. tax) of Rs.21.2 crore and Rs.9.6 crore, respectively in FY10. Net sales increased in FY10, driven by increase in the sales revenue on account of general upswing in the electronic payment industry. PBILDT grew at a higher rate in FY10 over FY09 on account of execution of high margin contracts. Higher PBILDT coupled with decline in capital charge and lower deferred tax incidence led to an improvement in PAT level & margin in FY10. GCA in FY10 was comfortable.

Both long-term debt equity ratio & overall gearing ratios improved as on March 31, 2010 over previous account closing date. Interest coverage also improved.

[1] "Complete definitions of the ratings assigned are also available at www.careratings.com and in other CARE publications".

Liquidity position of RSSL, as reflected in current ratio as on Mar.31, 2010 and lower utilisation of bank facilities (30%) was satisfactory.

As per the unaudited working results for Q1FY11, despite almost same level of net sales there was an in increase in PAT level, interest coverage and GCA over Q1FY10 due to lower capital charge.

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