



Press Release

Tera Software Limited (TSL)

December 18, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	24.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Bank Guarantee	41.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities – Bank Guarantee	33.30	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	--	Assigned	Simple
Total	98.30 (Rupees Ninety-Eight crore and Thirty lakh only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed its rating assigned to the bank facilities as TSL continues to derive strength from strong debt protection metrics, strong orderbook position and extensive experience of promoters. The ratings are however constrained by moderate financial risk profile, significant contingent liabilities, disputed receivables and working capital intensive nature of operations,

The outlook is expected to remain stable through extensive experience of promoters in the industry along with expected improvement in revenue and margins through execution of strong orderbook size of Rs. 2521.54 crore.



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Key Rating Sensitivities:

Upward Factors

- Substantial and sustained increase in revenues and profitability leading to improvement in cash accruals and liquidity position.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong debt protection metrics

TSL's capital structure continued to remain comfortable with overall gearing and TOL/TONW continued to remain at similar level at 0.30x and 0.85x respectively in FY24 (period refers from 01st April 2023 to 31st March 2024) (FY23: 0.23x and 0.85x respectively). Further, TSL's interest coverage ratio and Total debt/ NCA ratio has improved to 3.46x and 5.64x respectively in FY24 from -1.09x and 5.72x in FY23 due to increase in EBITDA. TSL's DSCR has also improved to 3.08x in FY24 from 1.66x in FY23.

Strong orderbook position

TSL has strong order book position of Rs. 2521.54 crore (29.85x of the revenues in FY24) as on 31st October, 2024, which provides strong revenue visibility. Further, during FY25, TSL has bagged new order amounting Rs. 2,279.50 from BSNL to lay FiberNet cables in the state of Andhra Pradesh which is expected to be completed by FY27.

Extensive experience of promoters

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.

Key Rating Weaknesses



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Moderate Financial risk profile

TSL's revenue has declined by 34.40% to Rs. 87.76 crore during FY24 due to delay in finalising the tender due to on-going election process. However, during 1HFY25 TSL has achieved revenue of Rs. 52.04 crore and expected to achieve revenue of Rs. Rs. 211.04 crore by the end of FY25 with steady execution of orders.

EBITDA margins has improved to 7.82% during FY24. In FY 22-23 EBITDA loss is due to the Debtors of Rs.33 crores pertain to APSFL, for the matters where no Writ Petition was filed by the company. As per Accounting standards, TSL had written off the amount on prudent basis. As per management, all the current receivables are recoverable in nature hence TSL did not make the provisions against these debtors. EBITDA margins have improved to 11.26%; however, for FY25, TSL is expecting to achieve EBITDA margins of 10.00% as TSL needs to spend on enhanced manpower and material for recently acquired projects.

Significant Contingent Liabilities

TSL has contingent liabilities of Rs. 103.00 crore at the end of FY24 which includes GST claims from Andhra Pradesh Government and Jharkhand Government. As per management, TSL has contested against appellate tribunal against these claims and management also claims that out of outstanding contingent liabilities only Rs. 6.32 crore liabilities are expected to be crystallized.

High receivables and working capital intensive nature of operations

TSL has high receivables from Andhra Pradesh Government of Rs. 84.77 crore since FY20, TSL has not made provision against these debtors as per management these debtors are recoverable in nature and also if they make provision against these debtors then the company will loose claim against these receivables. TSL has made provisions of Rs.33 crore during FY23 which are not recoverable mainly from AP Government and TSL did not file the writ petition against these receivables. Receivable days on the book receivable stood at 545 days at the end of FY24 (FY23: 488 days); however, on adjusted basis the receivable days stood at 71 days and 145 days respectively at the end of FY24 and FY23. Management clarified that, AP Government already asked the company about outstanding receivables and as per management of these receivables around 70%-80% is expected to receive during FY25 and balance is expected to receive during 1HFY26.



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TSL's operations are working capital intensive in nature as TSL mainly deals with government authorities and generally TSL receives its payment within 90-120 days from the date of raising of bills.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria on assigning rating outlook](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals are expected to match adequately with debt repayment obligations. The free cash balance as on March 31, 2024, stood at Rs. 11.05 crore. The average working capital utilisation for 12 months ending September 2024 has been 58.00%. The current ratio and quick ratio stood at 1.95x and 1.95x respectively in FY24.

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):

(Rs. crore)



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For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	133.77	87.76
EBITDA	-6.93	9.88
PAT	3.47	3.45
Total Debt	24.15	33.46
Tangible Net Worth	105.03	110.36
EBITDA Margin (%)	-5.18	11.26
PAT Margin (%)	2.22	3.90
Overall Gearing Ratio (x)	0.23	0.30
Interest Coverage (x)	-1.09	3.46

*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 14, 2024, due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			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, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 28, 2022)
1.	Cash Credit	Long Term	24.00	IVR BB+/ Stable	(May 18, 2023): IVR BB+/ Stable (December 15, 2023): IVR BB+/ Rating Watch with Negative Implications (March 13, 2024): IVR BB+/ Stable	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable
2.	Bank Guarantee	Long Term	41.00*	IVR BB+/ Stable	(May 18, 2023):	IVR BB/ Negative;	IVR BB+/ Stable



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			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, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 28, 2022)
					IVR BB+/ Stable (December 15, 2023): IVR BB+/ Rating Watch with Negative Implications (March 13, 2024): IVR BB+/ Stable	Issuer Not Cooperating	
3.	Proposed Bank Guarantee	Long Term	33.30	IVR BB+/ Stable	(May 18, 2023): Withdrawn	IVR BB/ Negative; Issuer Not Cooperating	IVR BB+/ Stable
4.	Working Capital Demand Loan/working capital (under COVID-19)	Long Term	--		--	--	Withdrawn

* Sub-limit of Bank Guarantee – Procurement of material/ equipment: Rs. 10.00 crore, Sub-limit of Letter of Credit: Rs. 10.00 crore and Sub-limit of Letter of Credit: Rs. 8.00 crore.

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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).



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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 and definition of ratings please visit 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	--	--	--	24.00	IVR BB+/ Stable
Bank Guarantee	--	--	--	41.00	IVR BB+/ Stable
Proposed Bank Guarantee	--	--	--	33.30	IVR BB+/ Stable

* Sub-limit of Bank Guarantee – Procurement of material/ equipment: Rs. 10.00 crore, Sub-limit of Letter of Credit: Rs. 10.00 crore and Sub-limit of Letter of Credit: Rs. 8.00 crore.

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-tera-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

