

SOFTAGE INFORMATION TECHNOLOGY LIMITED
D&B D-U-N-S® NUMBER: 91-943-5206



Dun & Bradstreet Information Services India Private Limited

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Scope of the Report

- History and legal background
- Existing operations
- Management background
- Financial statements and analysis
- Bankers

Information Sources

Information given in this report is compiled on the basis of information obtained from the following sources:

- Annual reports
- Corporate communiqués
- Information from website
- Management discussion

Methodology

Financial information from the audited annual reports of the Company was studied and analysed for a three-year period i.e. financial year (FY) 2014, FY 2015 and FY 2016. Information was collated from the sources as stated above and additional clarifications were sought from the management.

Date: 31st March 2017

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SUMMARY

D&B D-U-N-S[®] NUMBER : 91-943-5206

COMPANY NAME : SOFTAGE INFORMATION TECHNOLOGY LIMITED

ADDRESS : 204, Phase IV
Udyog Vihar
Gurgaon - 122002
Haryana
India

TELEPHONE : 91 - 124 - 4081046

FAX : 91 - 124 - 4081047

WEB PAGE : www.softage.net

EMAIL : info@softage.net
info@softageindia.com
harsh.tikku@softage.net

D&B RATING: 4A3 CONDITION: Fair

REGISTRATION NUMBER : U74899DL2000PLC106905

START YEAR : 1994

CONTROL DATE : 20th July 2000

HISTORY : Clear

EMPLOYEES (Total) : 7500

EXPORTS : Yes

IMPORTS : No

REVENUE : INR 1,971,839 thousand for the year ended 31st March 2016

TANGIBLE NETWORTH : INR 416,679 thousand as on 31st March 2016

AUTHORIZED CAPITAL : INR 40,000 thousand as on 31st March 2016

ISSUED CAPITAL : INR 35,000 thousand as on 31st March 2016

PAID-UP CAPITAL : INR 35,000 thousand as on 31st March 2016

CHIEF EXECUTIVE : Fahmida Ozair
Whole Time Director & Chief Executive Officer

LINE OF BUSINESS

The Company is engaged in providing services and solutions in document management. It also offers manpower supply services, digital marketing services and ancillary services.

Standard Industrial Classification Code (SIC)

7389-0000

Provides business services

7374-0000

Engaged in data processing and preparation

7374-9901

Operates as data entry service

7374-9902

Provides data processing service

7374-9903

Operates data verification service

7389-9966

Operates document storage service

CURRENT INVESTIGATION

On 22nd March 2017, Mr. Amit Katyal – Financial Controller, along with Mr. Pankaj Verma – Assistant General Manager - Sales & Marketing, confirmed the line of business of the Company and on 23rd March 2017 provided additional inputs during management discussion.

RATING KEY

D&B Indicative Risk Rating consists of two parts, the Financial Strength and the Composite Appraisal/ Condition. Financial Strength is an indication of the tangible net worth (that is, the shareholder's funds less any intangible assets). The Composite Appraisal / Condition is linked to the level of risk and is an overall evaluation of credit worthiness. It takes into account the financial condition and several factors such as trade reference history, legal structure, management experience and any adverse listings.

D&B Indicative Risk Rating of 4A3 implies that the Company has a tangible networth between INR 129,190,000 and INR 645,949,999 as per the latest available audited financial statements. Composite appraisal 3 indicates a fair overall status of the Company.

Risk Indicator	Condition	Level of Risk	Guide to Interpretation
1	Strong	Minimal risk	Proceed with transaction - offer extended terms if required
2	Good	Low risk	Proceed with transaction
3	Fair	Slightly greater than average risk	Proceed with transaction but monitor closely
4	Limited	Significant level of risk	Review each case before extending credit and obtain more information. Take suitable assurance before extending credit, guarantees may be needed
-	Undetermined	Insufficient information to assign a Rating	Assigned to concerns where there is insufficient information to express any opinion on the condition, financial soundness or payment history of the concern. A concern with no telephone number will also be assigned a '-' condition

Financial Strength			Composite Appraisal			
Rating	Tangible Networth (In INR)					
	From	To	Strong	Good	Fair	Limited
5A	645,950,000 and above		1	2	3	4
4A	129,190,000	645,949,999	1	2	3	4
3A	64,595,000	129,189,999	1	2	3	4
2A	12,919,000	64,594,999	1	2	3	4
A	7,751,400	12,918,999	1	2	3	4
B	3,875,700	7,751,399	1	2	3	4
C	1,219,900	3,875,699	1	2	3	4
D	516,760	1,219,899	1	2	3	4
E	155,028	516,759	1	2	3	4
F	51,676	155,027	1	2	3	4
G	Upto 51,675		1	2	3	4
--	Not classified					

COMPANY PROFILE

SoftAge Information Technology Limited (hereinafter referred to as 'the Company' or 'SoftAge') was established as a proprietorship concern in the year 1994 under the name of 'SoftAge Information Technology'. Later, on 20th July 2000, a public limited company was incorporated with the present name to take over the operations of the proprietorship concern.

The Company is engaged in providing services and solutions in document management. It also offers manpower supply services, digital marketing services and ancillary services.

Document management services offered by the Company covers document data flow right from the point of collection to warehousing and include verification, audit, scanning, storage, record creation (data entry), and data / document retrieval. The process has a scope of customization as per each customer's need.

SoftAge derived about 91% of its revenue from document management and document storage services while manpower supply services contributed around 6% to the revenue in FY 2016.

It operates from more than 593 operations hub offices and document warehouses spread across the major cities of India and has a total work force of more than 7,500 employees. It processes more than 300,000 documents per day and has processed over 1.2 billion documents till date.

Major categories of services provided include the following:

- Document collection
- Audit and verification
- Document processing
- Document scanning
- Record creation & data entry
- Document storage
- Data / Document search and retrieval
- Know Your Customer (KYC) management services
- Address verification and tele calling
- Manpower supply services & HR support
- Digital marketing services
- Software solutions
- IT support
- Other ancillary services

It uses following products/ platforms for providing its services to the clients:

- Loop: Loop is a web based tracking software to track real time location of field employees and optimize turnaround time (TAT) for clients.
- TeleDoc: TeleDoc is a paper document management system for mobile users for telecom companies. It provides for swift scanning of documents upon receipt which are then distributed to data entry operators around the country resulting in lower response time.
- CloudDocu: CloudDocu is a cloud based software, crucial for those organizations where importance of documents, data security and reliability is a concern. The service-cum-product involves expert visit to the client's workplace at a predetermined frequency to digitize all their documents, which are then saved on SoftAge's cloud. This makes the documents readily accessible from around the globe.

- Doculink: Doculink is a management software that helps bring agility in field employee management, job allocation, monitoring and report generation, and also provides detailed insights into performance.
- MScanner: MScanner is a mobile based application which brings portability to document scanning & management. The application is equipped on every runner's mobile device enabling the field employee to scan documents upon pickup. This allows work to start immediately after their receipt and eliminates the requirement to make frequent trips back to the office.
- ScanE: ScanE is a tool to optimize bulk scanning, indexing and uploading of documents on repository minimizing manual labor. It uses custom scan settings to sort and batch files. It can also be used to identify similar documents using key terms.
- ScaNet: ScaNet is for scanning, indexing and uploading documents on server on day to day basis. The scope of this software is to reduce the time taken in scanning, indexing the files and saving them for future access. It will automatically index the documents on the basis of barcode hence, minimizing the time consumption to perform this task.

The Company largely caters to the telecommunication industry. It also caters to industries like payment banks, banks, media, information technology, insurance, financial institutions, education, tourism, government, etc.

It derives 99% of its revenue from the domestic market with Vodafone India Limited, contributing around 96% to its total revenue in FY 2016. However, SoftAge also has its presence in the international market. It has entered into a joint venture agreement with Diana Muthee & Mercy Mugure and operates under SoftAge Adept International Limited (Kenya). The Company has also entered into a joint venture with Enzajat Services, United Arab Emirates (UAE) leading to the incorporation of 'SoftAge Enzajat Technology Limited Liability Company' registered in Abu Dhabi with the Company's stake being 49%.

In addition to the above, the Company also operates in other markets through its subsidiary, SoftAge Adept International Limited located at Chad as well as through its branch office located at Dubai. It is planning to increase its focus on African and the Middle East regions.

It controls its activities from its corporate office located at Gurgaon, Haryana. It has several branch offices and document warehouses spread across the country. The Company also has overseas offices located at United Arab Emirates (UAE), Kenya and Chad to cater to the requirements of IT and ITES (Information Technology Enabled Services) industry of Gulf and North African countries.

It is an ISO / IEC 27001:2013 and ISO 9001:2015 certified Company. It is also a member of NASSCOM and Prism International.

Source: Company website, Annual report and as provided by the management

PROVISIONAL FINANCIAL PERFORMANCE

Standalone Financial Performance (Unaudited) for FY 2017:

(INR in thousand)

For the Period Ended	FY 2017	FY 2016
Number of months	12	12
Revenue	1,500,000	1,971,839
Net Profit before Tax	13,400	25,443
Net Profit after Tax	8,934	15,268
Net profit margin (%)	0.60%	0.76%

Source: As provided by the management

FINANCIAL SNAPSHOT

COMPARATIVE FIGURES (INR in thousand)			
Year	FY 2014	FY 2015	FY 2016
Revenue	1,975,582	2,089,388	1,971,839
Net Profit after Tax	94,154	79,242	15,268
Current Assets	484,283	570,065	522,499
Current Liabilities	333,719	362,948	364,218
Working Capital	150,564	207,117	158,281
Other Tangible Assets	328,692	315,325	338,505
Non-Current Liabilities	90,318	57,054	80,107
Tangible Networth	388,938	465,388	416,679
Total Borrowings	94,723	132,159	136,993
Cash and Bank	103,054	28,391	12,731
Accounts Receivable	209,225	433,380	364,884
Fixed Assets	286,821	252,889	281,826
Accounts Payable	121,660	126,267	115,661

KEY RATIOS			
Year	FY 2014	FY 2015	FY 2016
Gross Profit Margin (%)	35.54	38.75	32.91
Operating Profit Margin (%)	8.52	6.26	1.04
Net Profit Margin (%)	4.77	3.79	0.77
Return on Tangible Networth (%)	24.21	17.03	3.66
Return on Capital Employed (%)	34.96	22.64	7.99
Total Debt Equity Ratio (Times)	0.24	0.28	0.33
Interest Coverage Ratio (Times)	6.59	9.11	2.35

Refer annexure II for the details

REVENUE

Local : 99%
International : 1%

Exports to:

Dubai, UAE

Revenue Terms

Local Terms 30-40 days

Source: As provided by the management

CUSTOMERS

The Company maintains around 35 customers.

Major Customer Types

- ✓ Telecommunication Industry
- ✓ Government Bodies
- ✓ BFSI
- ✓ Media
- ✓ Information Technology
- ✓ Education
- ✓ End-users

Major Customer Names

Name of Customer	Country	% of total revenue	Length of relationship (in years)
Vodafone India Limited	India	96.31	16
Telenor (India) Communications Private Limited	India	1.22	2
Interglobe Aviation Limited	India	0.29	4
One97 Communications Limited (PayTM)	India	0.20	1
Revenue & Disaster Management Department (UIDAI)	India	0.17	3
DHFL Pramerica Life Insurance Company Limited	India	0.17	4
Accenture Services Private Limited	India	0.04	2
Others	-	1.60	-

Source: As provided by the management

SUPPLIERS

Name of Suppliers	Country	% of total purchases	Length of relationship (in years)
Panacea Intelligence Security Private Limited	India	5.06	6
Softwareone India Private Limited	India	3.73	3
Archana Traders	India	3.54	7
Quantum Limited	India	2.21	1
Travelspider Limited	India	1.67	8

Source: As provided by the management

FOREIGN EXCHANGE TRANSACTIONS

(INR in thousand)

Particulars	FY 2014	FY 2015	FY 2016
Travelling, Lodging & Fooding	4,701	6,488	7,521
Membership Fee	55	1,021	1079
Computer Maintenance	-	-	
Conveyance	246	616	137
Medical Expenses	-	-	
Communication Expenses	122	40	133
Software	62	-	
Car Maintenance	4	13	
Staff Welfare	95	-	
Total Expenditure in Foreign Currency	5,285	8,178	8,870

Source: Annual report 2016 and as provided by the management

EMPLOYEES

Employees (At Location) : 7,500

Source: As provided by the management

REGISTRATION DETAILS

LEGAL STRUCTURE	: Public Limited Liability Company
INCORPORATED	: 20 th July 2000
REGISTRATION BODY	: Registrar of Companies New Delhi India
REGISTRATION NUMBER	: U74899DL2000PLC106905
REGISTERED OFFICE	: 28A/10 Jia Sarai Near IIT, Hauz Khas New Delhi – 110 016 Delhi India
LAST AGM DATE	: 30 th September 2016
LAST ANNUAL RETURN DATE	: 28 th November 2016
LAST FINANCIAL STATEMENT DATE	: 31 st March 2016

Source: Ministry of Corporate Affairs (MCA) and Annual return 2016

CHANGE IN LEGAL NAME

ORIGINAL NAME	: SoftAge Information Technology
CHANGED TO	: SoftAge Information Technology Limited
DATE OF CHANGE	: 20 th July 2000

Source: As provided by the management

CHANGE IN LEGAL STRUCTURE

FORMER LEGAL STRUCTURE	: Proprietorship Concern
CHANGE	: Public Limited Company
DATE OF CHANGE	: 20 th July 2000
STARTED	: 1994

Source: As provided by the management

CAPITAL DETAILS

AUTHORIZED CAPITAL *	: INR 40,000 thousand as on 31 st March 2016
ISSUED CAPITAL	: INR 35,000 thousand as on 31 st March 2016
PAID-UP CAPITAL	: INR 35,000 thousand as on 31 st March 2016
ORDINARY SHARES	: 3,500,000 equity shares at par value of INR 10 each

* includes 4,000,000 equity shares of INR 10 each.

Source: Annual report 2016

SHAREHOLDING PATTERN

Name of Shareholders	Shares Held	% Held
Ozair Yasin	1,787,500	51.07
Fahmida Ozair	1,583,500	45.24
Danyal Ozair	40,000	1.14
Harsh Tikku	30,000	0.86
Sherjil Ozair	21,000	0.60
Chandra Kishor Jha	10,000	0.29
Ghanshyam Jha	8,000	0.23
Sanjay Jha	8,000	0.23
Dilip Yadav	8,000	0.23
Dharyanath Jha	4,000	0.11
Total	3,500,000	100.00

Total number of Shareholders	: 10
Shareholding as on	: 31 st March 2016

Source: Annual return 2016

AUDITORS

Verma Garg and Associates Chartered Accountants

159-E, Kamla Nagar
New Delhi – 110 007
Delhi
India

CORPORATE DIRECTORS

Name of Directors	Current Title
Fahmida Ozair	Whole Time Director & Chief Executive Officer
Ozair Yasin	Managing Director
Danyal Ozair	Whole Time Director
Yoginder Singh	Director
Roop Krishna Tikku	Director
Murtuza Onali Kachwala	Director
Chandra Kishor Jha	Director

Refer Annexure I for details

Source: MCA

EXECUTIVES

Name of Executives	Current Title
C. K. Jha	Country Head – Finance
Ghanshyam Jha	Country Head – Operations
Amit Katyal	Finance Controller
Uttam Debnath	Head – Purchases, Material
Thomas K Vargheese	Head – Human Resources Development
Ashish Mathur	Head – Information Technology
Harsh Tikku	Head – Marketing, Business Acquisition
Ananya Das	Global Head – IT & Quality
Ram Mudakavi	Global Head – Operation
Pankaj Verma	Assistant General Manager – Sales & Marketing
Sanjay Jha	Country Head – Operations

Source: As provided by the management

BANK

NAME : Kotak Mahindra Bank Limited

BRANCH : Delhi

BANKER’S REPORT:

The Company deals with Kotak Mahindra Bank Limited since 2013.

The Company has availed the following facilities from Kotak Mahindra Bank Limited as on 29th March 2017.

(INR in thousand)

Nature of Facilities	Amount Sanctioned	Amount Disbursed	Amount Overdrawn
Cash credit facility / working capital demand loan	120,000	114,987	Nil
Any other fund based	24,600	5,997	Nil
Non-fund based	Nil	Nil	Nil
Total	144,600	120,984	Nil

The Company also has banking relationship with the following banks:

- ✓ Canara Bank
- ✓ Kotak Mahindra Bank Limited
- ✓ ICICI Bank Limited
- ✓ State Bank of India
- ✓ HDFC Bank Limited

Source: As provided by the management

INSURANCE

The Company has taken insurance coverage on its assets from United India Insurance Company Limited.

Source: As provided by the management

HEAD OFFICE LOCATION DETAILS

SIZE OF PREMISE : 12,208 Square feet
TYPE OF OCCUPATION : Owned
PREMISES USED AS : Administrative Office

Source: As provided by the management

BRANCHES

Address	Location Type	Type of Occupation	Size of Premises (square feet)
HNO 2 Rajshree Private Limited 3 rd Floor, Sixmile Near Nayantara Super Market, Khanapara Guwahati-781 022 Assam India	Branch Office	-	1,850
Room No-401, 4 th Floor Mangal Murti Heights Harmu Road Near Vishal Mega Mart Rani Bagan Ranchi Jharkhand India	Branch Office	-	1,600
28A10,Ground Floor, Jia Sarai, Hauz Khas, New Delhi-110016 Delhi India	Branch Office	-	1,600
201, 2 nd Floor, B Block, S Mall Near Kiran Motors Motera Stadium Road, Motera Ahmedabad Gujarat India	Branch Office	Owned	6,000
No. 1906/2661, Belaku Complex AECS Layout, 'A' Block, Singasandra Hosur Main Road Bangalore Karnataka India	Branch Office	-	1,920
First Floor, Kunukkasseril House Panampilly Nagar Kochi Kerala India	Branch Office	-	300
No.131/16, Jawaharlal Nehru Salai 100 Feet Road, Choolimedu Chennai Tamil Nadu India	Branch Office	-	300
M-Wing 5 th Floor Office Number 601-616 Mega Centre, Hadapsar Pune Maharashtra India	Branch Office	-	2,496

605-606 Crescent Business Park, Nr. MTNL Exchange, Andheri Kurla Road, Mumbai Maharashtra India	Branch Office	Rented	1,039
Plot No-249, Third Floor The Infinity Tower Zone 2 MP Nagar Bhopal Madhya Pradesh India	Branch Office	-	1,480
F-370, Phase-8B, Industrial Area, Near Focal Point Mohali – 160 055 Punjab India	Branch Office	Owned	2,500
IETE Bhawan D-Block Shoping Center Near W.T.P, Malviya Nagar Jaipur Rajasthan India	Branch Office	-	2,000
Paytm Office, A-102 Janki Bhawan, 1st Floor Nayapalli Bhubaneswar – 751012 District-Khurda Odisha India	Branch Office	-	150
77, Elliot Road, Taltala Kolkata -700016 West Bengal India	Branch Office	-	2,100
205 Chintal House, 2 nd Floor, 16 Station Road Lucknow – 226001 Uttar Pradesh India	Branch Office	-	1,100
28A10, 2 nd Floor Jia Sarai, Hauz Khas New Delhi-110016 Delhi India	Branch Office	-	1,600
3310 (X2), Jumeriah Lake Towers Jumeriah Bay Dubai United Arab Emirates	Branch Office	-	701
Petroda House, 2 nd Floor Great North Road Lusaka Zambia P.O. Box 38925 Kenya	Branch Office	-	4,500

CS 1-12 C-Block, Krishna Complex Sarkhej Sanand Road, Sarkhej Ahmedabad – 382 210 Gujarat India	Branch Office	Owned	5,000
Plot No 92, Sec 6, IMT Manesar – 122050 Haryana India	Corporate Office	Owned	22,000

Source: As provided by the management

SUBSIDIARIES

Name of the Subsidiary	Address	% Held
SoftAge Adept International Limited	Republic of Chad	100
SoftAge Healthcare Private Limited	204, Udyog Vihar, Phase-IV Gurgaon – 122 002 Haryana India	100
Softage Communications Private Limited	204, Udyog Vihar, Phase-IV Gurgaon – 122 002 Haryana India	100

Source: As provided by the management and Annual report 2016

JOINT VENTURE

Name of the Joint Venture	Address	% Held
SoftAge Adept International Limited	4 th Floor, Hughes Building , Muindi Mbingu Street Nairobi, Kenya P.O. Box 5091-00506	50
SoftAge Enzajat Trading Services LLC	Mezzanine Floor, Al Aryam Khaledya Road, Abu Dhabi, PO Box: 72224	49

Source: As provided by the management and Annual report 2016

GROUP ENTITIES

Name of Entity	Legal Structure
Infoage IT Services Private Limited	Private Limited Company
SoftAge Software Solutions Private Limited	Private Limited Company
Infotrack IT Services Private Limited	Private Limited Company
Panacea Intelligence Securities Private Limited	Private Limited Company
SoftAge Trust	Trust

Source: Annual report 2016

STATUTORY REGISTRATION

✓ Importer Exporter Code	: 0503054003
✓ Permanent Account Number	: AAFCS9264A
✓ Provident Fund Code	: DL/25932
✓ ESIC Main Code	: 10-55427-66
✓ Shop & Establishment Registration Number of Corporate office	: PSA/REG/GGN/LI-GGN-2-4/0068845
✓ Service Tax Code Number	: AAFCS9264AST001
✓ TAN Number	: DELS1627E
✓ Madhya Pradesh Shop & Establishment Registration Number	: 60061/BPC/CE/11
✓ Assam Shop & Establishment Registration Number	: ASEA/CE/F/1162
✓ Shops and Commercial Establishments Registration Number	: UPS175203000004
✓ Registration Certificate of Establishment (New Delhi)	: 2012030742
✓ Registration Certificate of Establishment (Karnataka)	: 38/189/CE/6072/2010
✓ Bengal Shop & Establishment Registration Number	: KOL/PARK/P-II/50261
✓ Pune Shop & Establishment Registration Number	: Pune Camp/II/5693
✓ Uttar Pradesh Shop & Establishment Registration Number	: 150/b/6714
✓ Jharkhand Shop & Establishment Registration Number	: 27312
✓ Punjab Shops and Commercial Establishments Registration Number	: Mohali /14/7427

Source: As provided by the management

ISO CERTIFICATION

- ✓ The Company has received ISO / IEC 27001:2013 certification awarded by British Standards Institution for Information Security Management System for document management solutions, software services and support functions of IT, business development, HR, Legal, Finance, Operations, Audit and infrastructure at our Corporate Office, Gurgaon.

Certificate number : IS 606457
 Valid from : 31st January 2017
 Valid till : 30th January 2020

- ✓ The Company has received ISO 9001:2015 certification awarded by Accurate Business Certification Private Limited for quality management system for provision for document verification, document management, electronic & physical storage, retrieval, web designing, E-Commerce solutions, BPO installation, training and related IT solutions.

Certificate number : 17QAN29
 Valid from : 5th April 2017
 Valid till : 4th April 2020

Source: As provided by the management

AWARDS / CERTIFICATES

- ✓ The Company received certificate from “ATTERO RECYCLING” for processing obsolete electronic equipment in an environment friendly manner.
- ✓ Professional Records and Information Services Management International recognized “SoftAge Information Technology Limited” as a member in good standing.
- ✓ The Company received Zee Business & Worldwide Achievers Business Leadership Awards 2014.
- ✓ The Company received Deloitte Asia Pacific Technology Fast 500 awards for the year 2012 and 2014
- ✓ The Company received Deloitte India Tech fast 50 award for the year 2012

Source: As provided by the management

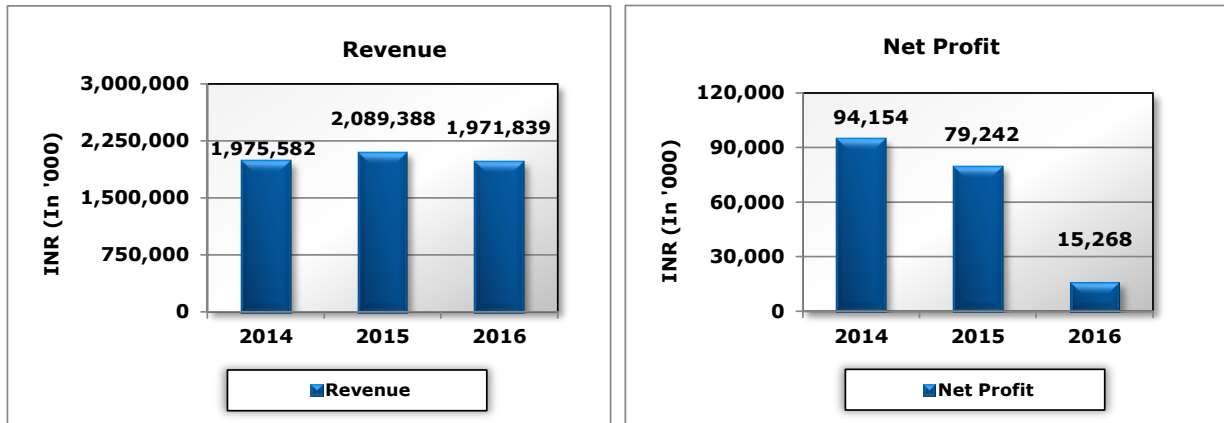
MEMBERSHIP

- ✓ The Company is a member of NASSCOM.
- ✓ The Company is an associate member of Federation of Indian Chambers of Commerce and Industry (FICCI).
- ✓ The Company is a member of Electronics and Computer Software (ESC) Export Promotion Council.

Source: As provided by the management

FINANCIAL ANALYSIS

➤ **Revenue and Net Profit**

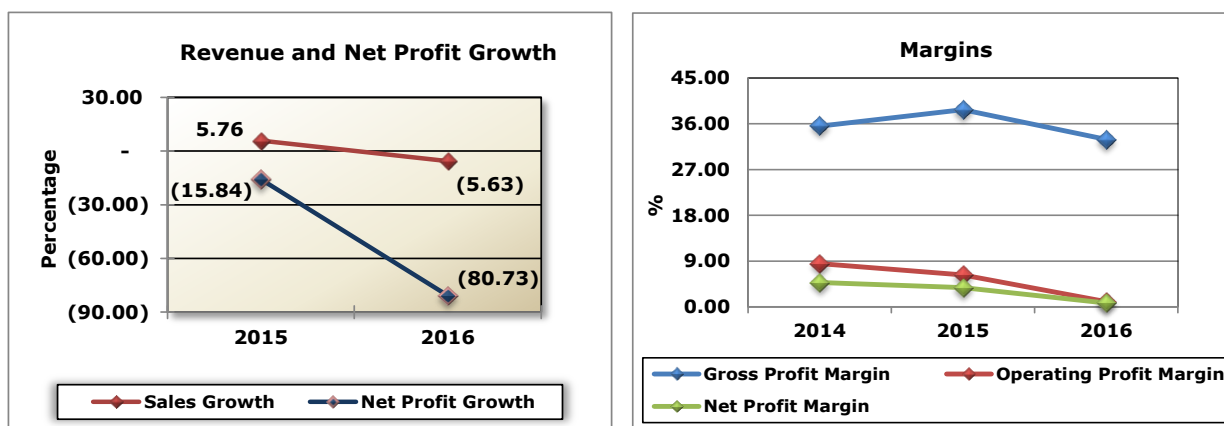


The Company is engaged in providing services and solutions in document management. It also offers manpower supply services, digital marketing services and ancillary services. The Company derived about 91% of its revenue from document management and document storage services while manpower supply services contributed around 6% in FY 2016.

Revenue

Revenue of the Company depicted an uneven trend during the review period. It increased by 5.76% in FY 2015 but declined by 5.63% in FY 2016. As informed by the management, the decline in FY 2016 was primarily led by a rate cut by Vodafone India Limited.

➤ Profit Growth and Margins



Gross Profit Margin

Gross profit margin of the Company exhibited an uneven trend during the review period.

It increased from 35.54% in FY 2014 to 38.75% in FY 2015 on account of a decline in salaries & wages expenditure from 60.17% to 56.76% as a percentage of revenue.

However, it declined to 32.91% in FY 2016 on account of an increase in salaries and wages as a percentage of revenue from 56.76% to 59.7% coupled with an increase in expenditure on business support services as a percentage of revenue from 1.92% to 3.17%.

Operating Profit Margin

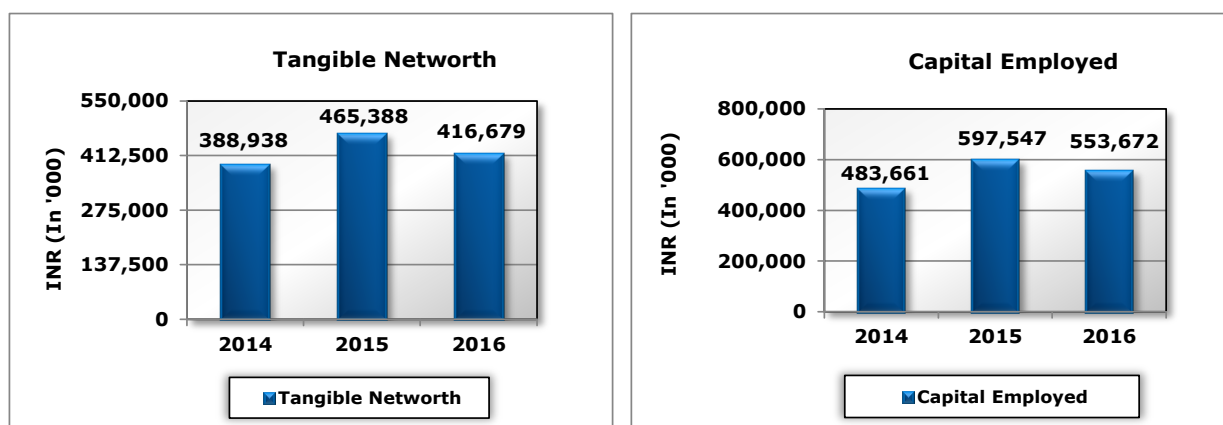
Operating profit margin of the Company declined from 8.52% in FY 2014 to 6.26% in FY 2015 on account of an increase in depreciation cost from 3.45% to 5.7% coupled with an increase in general & administration expenses from 24.18% to 26.05% as a percentage of revenue. Increase in general and administration expenditure was majorly contributed by a rise in printing & stationery and office maintenance charges.

Operating profit margin of the Company declined further to 1.04% in FY 2016 as a result of a decline in gross profit margin coupled with an increase in general & administration expenditure as a percentage of revenue from 26.05% to 27.74%. The decline was partly offset by a decline in depreciation cost from 5.7% to 4.36% as a percentage of revenue.

Net Profit Margin

Net profit margin of the Company declined from 4.77% in FY 2014 to 3.79% in FY 2015 and further to 0.77% in FY 2016 primarily led by a decline in operating profit margin.

➤ **Tangible Network and Capital Employed**



Tangible network includes equity capital, reserves and surplus less intangible assets, miscellaneous expenditure and accumulated losses, if any.

It increased in FY 2015 on account of retention of profits in the business by the Company. However, it declined in FY 2016 as a result of dividend payout being more than the profit earned during the year.

Capital employed comprises tangible network and total debt.

It increased in FY 2015 owing to an increase in both tangible network and total debt of the Company. However, it declined in FY 2016 as a result of a decline in tangible network, despite of an increase in the total debt of the Company.

Total debt of the Company increased in FY 2015 as a result of an increase in short term bank loans, unsecured loans and fresh hire purchase loans, and in FY 2016 due to an increase in long term and short term bank loans. The increase was partly offset by a repayment of hire purchase loans in FY 2016.

Composition of Sources of Funds

(In Percentage)

Particulars	FY 2014	FY 2015	FY 2016
Tangible Network	80.42	77.88	75.26
Total Debt	19.58	22.12	24.74
Capital Employed	100.00	100.00	100.00

Composition of Borrowed Funds

(In Percentage)

Particulars	FY 2014	FY 2015	FY 2016
Short Term Loans	100.88	89.16	72.54
Long Term Loans	(0.88)	10.84	27.46
Total Debt	100.00	100.00	100.00

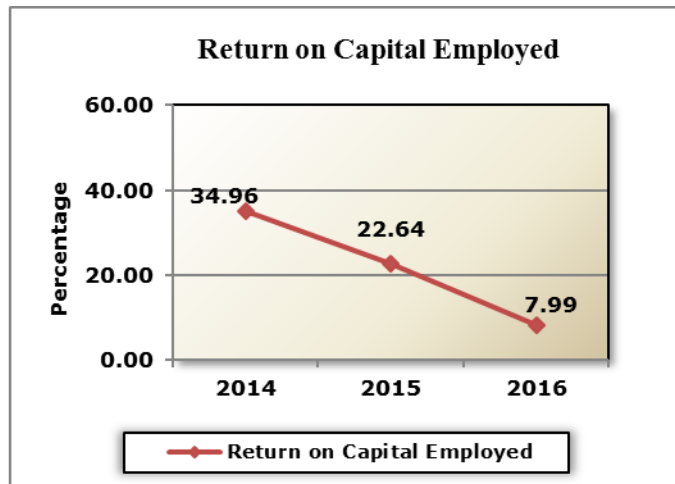
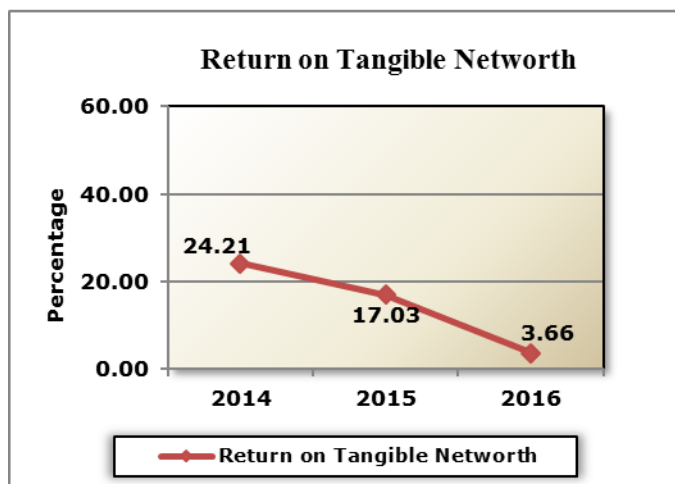
Composition of Borrowed Funds

(In Percentage)

Particulars	FY 2014	FY 2015	FY 2016
Secured Loan	100.00	97.88	99.79
Unsecured Loan	-	2.12	0.21
Total Debt	100.00	100.00	100.00

Long term loans comprised of hire purchase loans and long term bank loans, and short term loans comprised of unsecured loans and bank loans.

➤ Return on Tangible Network and Return on Capital Employed



Return on tangible network exhibited an uneven trend during the period under review. It declined in FY 2015 due to a decline in net profit coupled with an increase in tangible network and in FY 2016 as a result of a decline in net profit being more than the decline in tangible network of the Company.

(In Percentage)

Particulars	FY 2015	FY 2016
(Decline) in Net Profit	(15.84)	(80.73)
Increase/(Decline) in Tangible Network	19.66	(10.46)

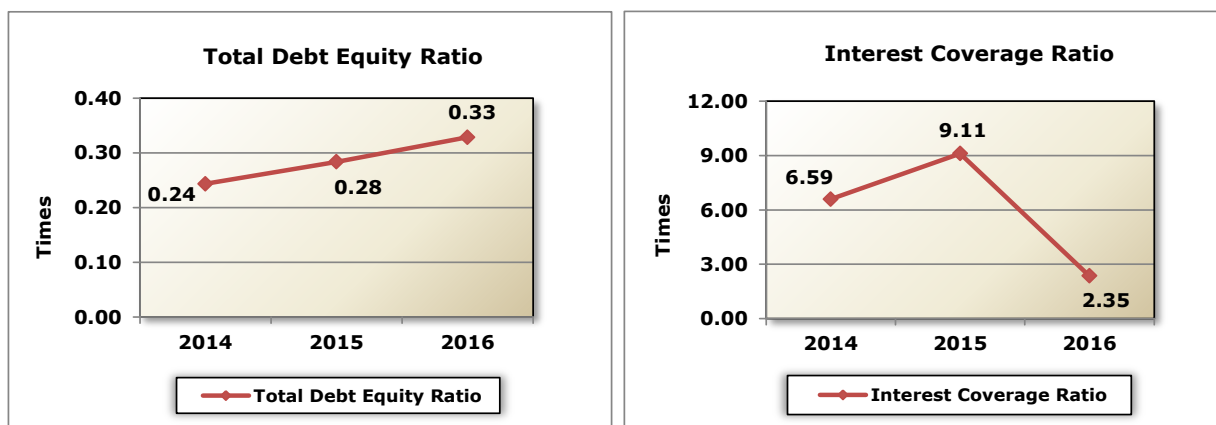
Return on capital employed exhibited a declining trend during the period under review. It declined in FY 2015 due to a decline in Earnings before Interest and Tax (EBIT) coupled with an increase in capital employed and in FY 2016 due to a decline in EBIT being more than the decline in capital employed by the Company.

(In Percentage)

Particulars	FY 2015	FY 2016
(Decline) in EBIT	(19.98)	(67.29)
Increase/(Decline) in Capital Employed	23.55	(7.34)

Particulars	FY 2014	FY 2015	FY 2016
Interest Expenses (INR in thousand)	25,645	14,846	18,812
Average Total Debt (INR in thousand)	-	1,13,441	1,34,576
Average Cost of Borrowed Funds (%)	-	13.09	13.98
Return on Capital Employed (%)	34.96	22.64	7.99

➤ Total Debt Equity Ratio and Interest Coverage Ratio



Total debt equity ratio is calculated as total debt divided by tangible networkth.

Debt equity ratio of the Company depicted an increasing trend during the period under review. It increased from 0.24 times in FY 2014 to 0.28 times in FY 2015 and further to 0.33 times in FY 2016.

It increased in FY 2015 due to an increase in total debt being more than the increase in tangible networkth and in FY 2016 due to a decline in tangible networkth coupled with an increase in total debt of the Company.

(In Percentage)

Particulars	FY 2015	FY 2016
Increase/(Decline) in Tangible Networkth	19.66	(10.47)
Increase in Total Debt	39.52	3.66

Interest coverage ratio indicates the adequacy of EBIT of the Company to cover its interest obligations.

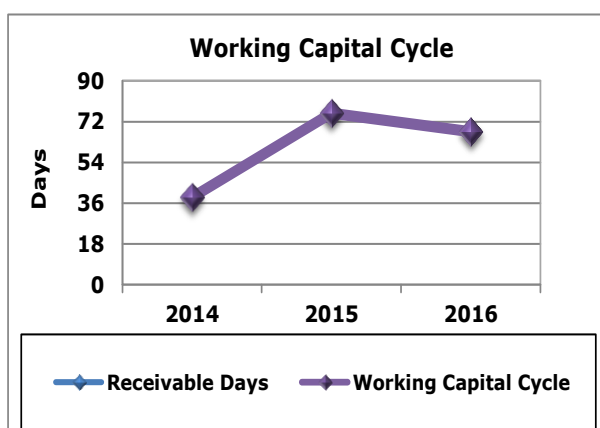
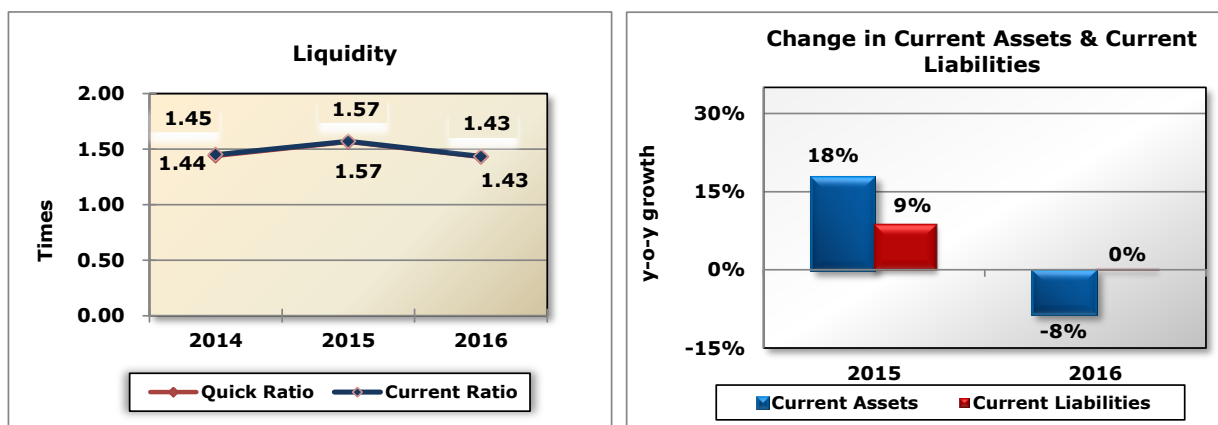
Interest coverage ratio of the Company exhibited an uneven trend during the period under review. It increased from 6.59 times in FY 2014 to 9.11 times in FY 2015. However, it declined to 2.35 times in FY 2016.

It increased in FY 2015 due to a decline in interest expense being more than the decline in EBIT and declined in FY 2016 as a result of an increase in interest expense coupled with a decline in EBIT of the Company.

(In Percentage)

Particulars	FY 2015	FY 2016
Increase/(Decline) in Interest Expenses	(42.11)	26.71
Decline in EBIT	(19.98)	(67.29)

➤ Liquidity Ratios



Composition of current assets and current liabilities is as given below:

Composition of Current Assets

(In Percentage)

Particulars	FY 2014	FY 2015	FY 2016
Accounts Receivable	43.20	76.02	69.83
Due from Directors	-	6.63	7.41
Cash and Bank	21.28	4.98	2.44
TDS and Advance Tax	-	0.84	8.30
Due from Subsidiaries	5.60	-	-
Balance with service tax authorities	5.25	3.38	4.47
Other Current Assets	24.67	8.15	7.55
Total	100.00	100.00	100.00

Other current assets comprised of cash & bank balance, other loans & advances, advance tax, security deposits, prepayments and balance with Customs, Port Trust and Excise authorities.

Composition of Current Liabilities

(In Percentage)

Particulars	FY 2014	FY 2015	FY 2016
Accounts Payable	36.46	34.79	31.76
Bank Loans	18.45	22.38	24.48
Provision for Income Tax	5.14	-	-
Provision for Retirement Benefits	19.27	22.04	25.95
Duties and Taxes Payable	6.82	7.08	11.21
Other Current Liabilities	13.86	13.71	6.60
Total	100.00	100.00	100.00

Other current liabilities comprised of due to customers, interest accrued, unsecured loans and other payables.

ANNEXURE I - CORPORATE DIRECTORS

Name	: Fahmida Ozair
Address	: M-15/16, DLF City, Phase-2 Gurgaon – 122 002 Haryana India
Date of Birth	: 18 th October 1966
Directors Identification Number	: 01293110
Current Title	: Whole time Director and Chief Executive Officer
Started with the Company	: 20 th July 2000
Appointed to Present Position	: 20 th July 2000
Education	: Master of Arts Post Graduate Diploma in Computer Application (PGDCA)
Related Experience Since	: 1994
Active in daily operations	: Yes
Founder of the Company	: Yes

Name	: Ozair Yasin
Address	: M-15/16, DLF City, Phase-2 Gurgaon – 122 002 Haryana India
Date of Birth	: 20 th May 1964
Director Identification Number	: 01293135
Current Title	: Managing Director
Started with the Company	: 1994
Appointed to Present Position	: 20 th July 2000
Education	: Bachelor of Science (Computer Science)
Related Experience since	: 1987
Active in Daily Operations	: Yes
Founder of Company	: Yes

Name	: Danyal Ozair
Address	: F-331, Phase-II New Palam Vihar Gurgaon – 122 017 Haryana India
Date of Birth	: 18 th July 1990
Directors Identification Number	: 02715468
Current Title	: Whole time Director
Started with the Company	: 27 th January 2010
Appointed to Present Position	: 27 th January 2010
Education	: Bachelor of Technology in Computer Science Master in Business Administration
Related Experience Since	: 2010
Active in daily operations	: Yes
Founder of the Company	: No

Name	: Yoginder Singh
Address	: 220/6, Pushkar Vihar, Shiv Vihar Near Karawal Nagar Delhi – 110 094 India
Date of Birth	: 28 th May 1984
Directors Identification Number	: 00501706
Current Title	: Director
Started with the Company	: 12 th March 2015
Appointed to Present Position	: 12 th March 2015
Education	: A.C.A. (Associate Member of the Institute of Chartered Accountants)
Related Experience Since	: 2010
Active in daily operations	: No
Founder of the Company	: No

Name	: Roop Krishna Tikku
Address	: H.NO. G-174, Palam Vihar Choma 62, Carterpuri Gurgaon – 122 017 Haryana India
Date of Birth	: 7 th April 1934
Directors Identification Number	: 07119139
Current Title	: Director
Started with the Company	: 12 th March 2015
Appointed to Present Position	: 12 th March 2015
Education	: Master of Arts (Political Science) Master of Arts (Psychology)
Related Experience Since	: 1956
Active in daily operations	: No
Founder of the Company	: No

Name	: Murtuza Onali Kachwala
Address	: 501, Monarch Building, Mohan Heights Opposite Golden Park, Near Khadakpada Kalyan (West) – 421 301 Maharashtra India
Date of Birth	: 26 th December 1970
Directors Identification Number	: 07119733
Current Title	: Director
Started with the Company	: 12 th March 2015
Appointed to Present Position	: 12 th March 2015
Education	: A.C.A. (Associate Member of the Institute of Chartered Accountants)
Related Experience Since	: 1995
Active in daily operations	: No
Founder of the Company	: No

Name	: Chandra Kishor Jha
Address	: Nw-143, Vishnu Garden New Delhi-110 018 Delhi India
Date of Birth	: 16 th January 1972
Directors Identification Number	: 07225902
Current Title	: Director
Started with the Company	: 1 st July 2015
Appointed to Present Position	: 1 st July 2015
Education	: Bachelor of Arts
Related Experience Since	: 1992
Active in daily operations	: Yes
Founder of the Company	: No

Source: MCA, Company website and as provided by the management

ANNEXURE II - FINANCIAL STATEMENTS

Fiscal Balance Sheet as on 31st March 2016 (INR in thousand)			
Cash and Bank	12,731	Accounts Payable	115,661
Deposit-Short Term	17,528	Loans Unsecured	312
Accounts Receivable	364,884	Bank Loans	89,149
Other Receivables	4,339	Current Portion of Long-Term Debt	9,917
Prepayments	1,481	Due to Customers	24
Due from Directors / Shareholders	38,699	Other Payables / Accruals	51,646
Loans and Advances	15,455	Provisions	94,509
Other Current Assets	24,018	Other Current Liabilities	3,000
TDS and Advance Tax	43,364		
TOTAL CURRENT ASSETS	522,499	TOTAL CURRENT LIABILITIES	364,218
Land and Buildings	133,419	Bank Loans	47,532
Plant and Equipment	34,371	Provisions	42,492
Transportation Vehicles	7,390	Current Portion of Long-Term Debt	(9,917)
Furniture, Fixtures and Fitting	65,348		
Assets in Construction	22,843		
Computers	18,455		
TOTAL FIXED ASSETS	281,826	TOTAL NON-CURRENT LIABILITIES	80,107
Investment in Subsidiary	225	Capital	35,000
Investment in Joint ventures	2,454	General Reserves	3,500
TOTAL INVESTMENTS	2,679	Foreign Exchange Adjustments	(3,312)
Long-Term Deposit	8,236	Retained Earnings	397,660
Long-Term Loans	340		
Other Assets	2,331		
Deferred Tax Asset	43,093		
Long-Term Deposit	8,236		
TOTAL OTHER ASSETS	54,000		
Software	16,169		
TOTAL INTANGIBLES	16,169		
TOTAL INTANGIBLES	16,169	TOTAL EQUITY	432,848
TOTAL ASSETS	877,173	TOTAL LIABILITIES AND EQUITY	877,173

Profit and Loss Account (Figures in INR thousand)			
For the year ended	31-Mar-14	31-Mar-15	31-Mar-16
Number of months	12	12	12
	Fiscal	Fiscal	Fiscal
Revenue	1,975,582	2,089,388	1,971,839
Less: Cost of Revenue	(1,273,474)	(1,279,734)	(1,322,989)
Gross Profit	702,108	809,654	648,850
Other Operating Income*	19,907	14,056	14,802
General Operating Expenses	(485,647)	(573,949)	(557,144)
Depreciation	(68,137)	(119,051)	(85,987)
Net Operating Loss after Depreciation and before Interest	168,231	130,710	20,521
Other Non-Operating Income**	852	4,586	23,734
Total Finance Expenses	(25,645)	(14,846)	(18,812)
Net Profit before Tax	143,438	120,450	25,443
Net Profit before Taxation and after Extraordinary Items	143,438	120,450	25,443
Income Tax	(49,284)	(41,208)	(10,175)
Net Profit after Tax	94,154	79,242	15,268
Profit after Tax and Extraordinary Items	94,154	79,242	15,268
Less: Dividend	-	-	(60,297)
Prior Year Adjustments	(31,500)	-	-
Plus Retained Earnings B/F	-	(2,542)	-
Retained Earnings C/F	303,335	365,989	442,689

**Other operating income comprised of scrape sales*

***Non-operating income comprised of interest income, liabilities and provisions written back, profit on sale of fixed assets, profit on foreign exchange transactions and miscellaneous income*

Accounts are audited by Verma Garg & Associates

Auditor’s observations as per auditors’ report for the year ended 31st March 2016

- INR 6,902 thousand remain outstanding as at year end in respect of the loan given to its subsidiary SoftAge Healthcare Private Limited.
- According to the information and explanations given to auditor, the company is generally not regular in depositing undisputed statutory dues including provident fund, employees’ state insurance, tax deducted at source, service, service tax and other material statutory dues, to the extent applicable with appropriate authorities.

Further, as per information and explanations given to auditor, no material undisputed amounts payable in respect of provided fund, employees’ state insurance, income tax, service tax, sales tax, custom duty, excise duty, cess were in arrear as at 31st March 2016 for a period of more than six months from the date they became payable.

Details of delay in payment of various statutory dues:

Employee’s provident fund

Wages month	Amount in INR thousand	Actual date of payment to the concerned authorities
April 2015	7,593	28-05-2015
June 2015	9,790	23-07-2015
July 2015	8,137	31-08-2015
	3	22-09-2015
August 2015	7,907	05-10-2015
September 2015	7,735	28-10-2015
November 2015	7,802	28-01-2016
December 2015	7,747	04-02-2016
January 2016	7,596	16-02-2016

Employee’s state insurance fund

Months	Amount in INR	Actual date of payment to the concerned authorities
April 2015	1,081	28-05-2015
	24	1-06-2015
	23	4 -06-2015
June 2015	1,478	24-07-2015
July 2015	1,036	27-08-2015
	181	16-09-2015
August 2015	1,180	24-09-2015
November 2015	1,129	27-01-2016
December 2015	1,120	03-02-2016

As informed by the management, the delays were due to administrative constraints.

Refer Annexure IV for management clarification over the same

Auditor’s observations as per auditors’ report for the year ended 31st March 2015

- The Company is generally not regular in depositing undisputed statutory dues, including provident fund, employee state insurance, taxes deducted at source, service tax and other material statutory dues applicable to it with the appropriate authorities.

Contingent Liabilities and Capital Commitments as on 31st March 2015

Sr. No	Particulars	Amount (INR in thousand)
1	Guarantee for loan	6,398
2	Estimated amount of contracts remaining to be executed on capital account not provided for	21,826

Auditor’s observations as per auditors’ report for the year ended 31st March 2014

- The Company is generally not regular in depositing undisputed statutory dues, including provident fund, employee state insurance, taxes deducted at source, service tax and other material statutory dues applicable to it with the appropriate authorities.
- According to the information and explanations given to the auditors, the Company has given guarantee for loan taken by the directors from the banks.

KEY RATIOS			
	FY 2014	FY 2015	FY 2016
GROWTH TREND			
Revenue Growth (%)	-	5.76	(5.63)
Net Profit Growth (%)	-	(15.84)	(80.73)
LIQUIDITY			
Quick Ratio (Times)	1.44	1.57	1.43
Current Ratio (Times)	1.45	1.57	1.43
SOLVENCY			
Interest Coverage Ratio (Times)	6.59	9.11	2.35
Current Liabilities to Inventory (%)	-	-	-
Current Liabilities to Tangible Networth (%)	85.80	77.99	87.41
LEVERAGE			
Total Debt Equity Ratio (Times)	0.24	0.28	0.33
Total Liabilities to Tangible Networth (%)	109.02	90.25	106.63
Fixed Asset to Tangible Networth (%)	73.74	54.34	67.64
EFFICIENCY			
Collection Period (Days)	39	76	68
Revenues to Inventory (Times)	-	-	-
Assets to Revenues (%)	41.15	42.38	43.67
Revenues to Net Working Capital (Times)	13.12	10.09	12.46
Accounts Payable Days	-	-	-
PROFITABILITY			
Gross Profit Margin (%)	35.54	38.75	32.91
Operating Profit Margin (%)	8.52	6.26	1.04
Net Profit Margin (%)	4.77	3.79	0.77
Return on Tangible Networth (%)	24.21	17.03	3.66
Return on Capital Employed (%)	34.96	22.64	7.99
Return on Total Assets	11.58	8.95	1.77

ANNEXURE III – RATING RATIONALE

Rating Assigned – 4A3

Tangible Networth – INR 416,679 thousand as on 31st March 2015

D&B Indicative Risk Rating of 4A3 implies that the Company has a tangible networth between INR 129,190,000 and INR 645,949,999 as per latest available audited financial statements. Composite appraisal 3 indicates a fair overall status of the Company.

Key strengths

- Nationwide presence coupled with reputed clientele
- Low debt capital structure
- Experienced and qualified management

Key constraints

- Significant customer concentration risk
- Decline in profitability and return on funds invested
- Ability to manage manpower costs
- High competitive intensity

Rating-Sensitivity Factor

- Ability of the Company to increase margins while scaling up the operations
- Ability of the Company to diversify customer base

Key strengths**Nationwide presence coupled with reputed clientele**

Industries such as telecom, banking and insurance amongst others have a customer base spread across the country and deal with humongous volume of documents. To operate in such an industry a document management system at a large scale becomes essential. With a workforce of over 7,500 employees and nationwide presence through its 593 offices, SoftAge is well equipped to handle the document management process of such large organizations. This is evident from the Company's reputed clientele of large organizations such as Vodafone, Indigo Airlines and PayTM amongst others and contribution to large Government projects such as Aadhaar enrolments in UIDAI and processing of PAN Application Forms.

Moreover, the Company's 'end-to-end' document management services coupled with its portfolio of productivity tools and service offerings provides a competitive edge, as it can leverage on its larger gamut of services as compared to multiple vendors offering specialized services.

As informed by the management, SoftAge has been associated with Vodafone India Limited for the past 16 years and handles more than 70% of its document management operations.

Low debt capital structure

The capital structure of the Company stood comfortable as marked by a total debt-equity ratio of 0.33 times (debt obligation of INR 136,993 thousand against tangible networth of INR 416,679 thousand) indicating lower reliance on external funds. Moreover, low incidence of interest expenditure resulted in a moderate interest coverage ratio of 2.35 times in FY 2016.

Low debt capital structure indicates a low degree of financial risk, which will provide scope for expansion through additional leverage to capitalize on future opportunities.

Experienced and qualified management

The Company is managed and controlled by Mr. Ozair Yasin, Managing Director and Ms. Fahmida Ozair, Chief Executive Officer of the Company. In addition to a bachelor's degree in computer science, Mr. Ozair Yasin has an experience of around three decades in document management solution and consultancy services industry. This relevant experience and business networking in the industry could help in driving the business of the Company. The same is evident from the nationwide spread operations of the Company and its 16 years long association with Vodafone India Limited.

Key constraints

Significant customer concentration risk

The Company is engaged in providing ‘end-to-end’ document data flow services right from the point-of-collection to warehousing and include verification, audit, scanning, storage, record creation (data entry), and data / document retrieval. The Company derived around 96% of its total revenue in FY 2016 from Vodafone India Limited indicating significant level of dependence on single customer to generate revenue.

Though the Company has come to a lock-in with Vodafone owing to a long term agreement and inter-dependence created due to its ‘end-to-end’ service offering and established relationship, any loss of business or change in rate/volume from this customer on competitive grounds or due to presence of many large organized players offering ITes, low value added process, etc. can significantly impact the topline the topline of the Company. The risk is evident from the dip in revenue witnessed in FY 2016, which as notified by the management, was primarily led by a rate cut by Vodafone India Limited further indicating the low bargaining power of the Company due to extremely high customer concentration risk.

Further, with recent entry of Reliance Jio and merger of Vodafone India Limited with Idea Cellular Limited, Indian telecom industry is witnessing a lot of uncertainty. Any decline in business of Vodafone India Limited as a result of the above change in market dynamics can directly affect the topline of the Company.

As informed by the management, in order to lower its dependence on Vodafone (telecom industry including Matrix Cellular and Telenor), the Company has, in addition to increasing its geographic presence, also served diverse industries including payment banks & mobile wallets (PayTM, MobiQuik, BTI payments), banks (Kotak Mahindra Bank, Yes Bank and Canara Bank), information technology (TCS, Accenture and Siemens), insurance (DLF Pramerica Life Insurance, Max Life Insurance), financial institutions (UTI – Indian Capital Markets, Escorts Mutual funds and Stock Holding Corporation of India Limited), government companies and projects (ONGC, Indian Oil, Commonwealth Games, ISRO, Indian Air Force, UIDAI, for PAN card applications), tourism (Lama Tours), Aviation (Indigo Airlines), media (Time Magazine, O&M), etc. However, their contribution to the topline of the Company remains miniscule. Going forward, the Company plans to cater further to payment banks & mobile wallets sector, insurance sector, healthcare sector, legal sector and hotel sector amongst others in India as well as explore opportunities in new markets.

Further, with addition of services like manpower supply, software development and digital marketing in its service portfolio, the management expects higher share of revenue from these services in future.

Decline in profitability and return on funds invested

The financial performance of the Company witnessed a declining trend during the review period as is evident from the y-o-y decline in net profits. The topline of the Company declined by more than 5% in FY 2016 while profitability margins except at the gross profit level weakened y-o-y with the operating profit margin and net profit margin standing at 1.04% and 0.77% in FY 2016 respectively. The declining trend in profitability is reflected in the below table.

Key Profitability Ratios	FY 2014	FY 2015	FY 2016
Gross Profit Margin (%)	35.54	38.75	32.91
Operating Profit Margin (%)	8.52	6.26	1.04
Net Profit Margin (%)	4.77	3.79	0.77
Return on Tangible Networth (%)	24.21	17.03	3.66
Return on Capital Employed (%)	34.96	22.64	7.99

The drop in revenue coupled with deterioration in profitability resulted in declining returns on capital invested with the return on tangible networth and return on capital employed standing low at 3.66% and 7.99% in FY 2016 respectively.

As informed by the management, the Company is endeavoring to improve its margins by reducing its employee cost through change in business model to multitasking and has reduced its employee base from 9,781 employees in FY 2014 to 7,910 in FY 2015 and further to 7,500 in FY 2016. Employee cost remained the primary cost center of the Company and stood at around 60% as a percentage of revenue in FY 2016.

As further notified, the dip in revenue in FY 2016 was primarily led by a rate cut by Vodafone India Limited. However, the contract rates have increased in FY 2017.

Ability to manage manpower costs

ITes sector is a labour intensive business model. The Company's personnel costs (though declining in absolute terms due to business model of multi-tasking introduced by the Company) on an average stood at 59% as a percentage of revenue during the review period. Any increase in personnel costs due to increase in pay scales of the employees, could adversely affect its margins.

Therefore, the ability of the Company to hire and retain talent coupled with its ability to manage their cost via efficient utilization rate remains critical.

As informed by the management, the Company is making efforts to reduce its employee cost as a result of which employee strength of the Company has dropped significantly y-o-y to better utilize its resources and increase productivity.

High competitive intensity

The Company operates in an intense competitive environment offering 'end-to-end' services along with several small & mid-size companies such as Newgen Software Technologies Limited, 3i Infotech BPO Limited, etc. offering specialized services. High competitive intensity could affect the pricing power of the Company and the impact could get further amplified owing to economic slowdown and intense competition as a result of which clients have resorted aggressively on cutting outsourced managed service costs resulting in lower contract values.

As informed by the management, the Company's nationwide presence and 'end-to-end' document management services to a reputed clientele (Vodafone and other large organizations) provides a competitive edge, as it can leverage on its larger gamut of services as compared to multiple vendors offering specialized services.

Rating - sensitivity factor**Ability of the Company to increase margins while scaling up the operations**

Topline of the Company declined in FY 2016 while profitability also exhibited a declining trend. Operating in an intense competitive environment, ability of the Company to maintain revenue growth while improving its profitability remains crucial. Currently, high manpower cost and other administrative cost like travelling, office maintenance and depreciation are keeping the margins low. Thus, going forward, the ability of the Company to improve its margins with increasing scale of operations by curtailing costs would be critical.

As informed by the management, the Company is controlling its employee cost through change in business model to multitasking and has reduced its employee base from 9,781 employees in FY 2014 to 7,500 in FY 2016.

Ability of the Company to diversify customer base

The Company primarily caters to the telecom industry in India, with Vodafone contributing about 96% to its total revenue indicating significant level of dependence on single customer and industry to generate revenue. Though long term agreement and decade long relationship partially mitigates customer concentration risk, any loss of business from this customer or decline in market share of the customer can directly impact the topline significantly. Further, with the recent entry of Reliance Jio in the Indian telecom market and consolidation among existing players, ability of the Company to sustain its topline would be crucial. Thus, ability of the Company to expand its customer base remains critical.

As informed by the management, with addition of new services and clientele from diverse industries, the Company expects revenue concentration from Vodafone to reduce.

ANNEXURE IV – MANAGEMENT REPRESENTATION LETTER

SoftAge

SoftAge Information Technology Limited

ISO/IEC 27001:2013 Certified Company
Date: 12/04/2017

To,
Dun & Bradstreet Information Services India Pvt. Ltd.
ICC Chambers, Saki Vihar Road, Powai
Mumbai-400072
India

This representation letter is provided in connection with auditor's comments on FY 2015-16 financial statement regarding delay in depositing statutory dues to appropriate authorities and the corrective actions in current year.

We confirm to the best of our knowledge and belief the following representations made to you for the purpose of availing services of "Business Scope Report" from you:

Delays in statutory liabilities are technical in nature, not due to any liquidity issues and are stated below:

TDS: For Entire 2016-17 there is no single delay in payment of TDS by the company. For 2015-16 there was only one technical delay in the month of Aug'15 and for rest of the year TDS has been paid on time. This was due to delay in calculation for the month.

Service Tax: The delays sometimes are on account of collation of information for revenue for all the circles and confirmation of calculations of liability by the tax consultants.

EPF: For the year 2016-17 there are no delays in payment of provident fund. For ESI also this year the process has further smoothed and there is not delay in payment for the entire year. For financial year 2015-16 the delays were due to late submission of documentation by new Joinees at remote locations, which gets collated at the head office and verified by an outside consultant. For ESI also in 2015-16 the process was further revised and due to challan generation centrally the delays have come down drastically.

We hereby confirm that there were no liquidity issues in the year 2015-16 as well as 2016-17.

To the best of our knowledge and belief the information given above is true and fair.

For SoftAge Information Technology Limited
For Softage Information Technology Ltd.


(Fahmida Ozair) Director
Chief Executive Officer

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GLOSSARY OF KEY RATIOS AND THEIR COMPUTATION

KEY FINANCIAL RATIOS	DESCRIPTION
GROWTH RATIOS	
Revenue Growth (%)	% change in revenue in the current year over the previous year
Net Profit Growth (%)	% change in net profit in the current year over the previous year
LIQUIDITY RATIOS	
Quick Ratio (Times)	$(\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses} - \text{Unbilled revenue}) / \text{Current Liabilities}$
Current Ratio (Times)	$\text{Current Assets} / \text{Current Liabilities}$
SOLVENCY RATIOS	
Interest Coverage Ratio (Times)	$\text{Earnings before Interest and Tax} / \text{Interest Expenditure}$
Current Liabilities to Inventory (%)	$(\text{Current Liabilities} / \text{Inventory}) * 100$
Current Liabilities to Tangible Networth (%)	$(\text{Current Liabilities} / \text{Tangible Networth}) * 100$
LEVERAGE	
Total Debt Equity Ratio (Times)	$\text{Total borrowings (Long term + Short term)} / \text{Tangible Networth}$
Total Liabilities to Tangible Networth (%)	$\{(\text{Current Liabilities} + \text{Non-Current Liabilities}) / \text{Tangible Networth}\} * 100$
Fixed Asset to Tangible Networth (%)	$(\text{Fixed Assets} / \text{Tangible Networth}) * 100$
EFFICIENCY RATIOS	
Collection Period (Days)	$\text{Accounts Receivable} / \text{Net Revenue} * 365$
Revenue to Inventory (%)	$(\text{Net Revenue} / \text{Inventory}) * 100$
Assets to Revenue (%)	$\{(\text{Current Assets} + \text{Other tangible Assets}) / \text{Net Revenue}\} * 100$
Revenue to Net Working Capital (Times)	$\text{Net Revenue} / \text{Net Working Capital}$
Accounts Payable (Days)	$\text{Accounts Payable} / \text{Total Purchases} * 365$
PROFITABILITY RATIOS	
Gross Profit Margin (%)	$(\text{Net Revenue} - \text{Direct Expenditure} / \text{Net Revenue}) * 100$
Operating Profit Margin (%)	$(\text{Operating Profit} / \text{Net Revenue}) * 100$
Net Profit Margin (%)	$(\text{Net Profit after Tax} / \text{Net Revenue}) * 100$
Return on Tangible Networth (%)	$(\text{Net Profit after Tax} / \text{Tangible Networth}) * 100$
Return on Capital Employed (%)	$(\text{Earnings before Interest and Tax} / \text{Capital Employed}) * 100$
Return on Total Assets (%)	$(\text{Net Profit after Tax} / (\text{Current Assets} + \text{Other Tangible Assets})) * 100$

OTHER KEY FINANCIAL TERMS	
Direct Expenditure	Cost of material consumed or traded, salaries & wages, freight inward, job work charges, royalties/technical fees and other expenses directly related to manufacturing / rendering of services.
Operating Profit	Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from revenue and other operating income pertaining to core business activities. Taken as EBIT – non operating income.
Net Profit	Measure of net profit or loss earned / incurred after considering all incomes and expenses including interest expenditure and taxes.
Working Capital	Current Assets- Current Liabilities
Tangible Networth	Working Capital + Other Tangible assets- Non Tangible Assets
Capital Employed	Tangible Networth + (Long term borrowings + Short term borrowings) + Minority Interests
Total Borrowings	Long Term (secured & Unsecured) Loans + Short Term (Secured & Unsecured) Loans

CURRENCY: All amounts in this report are in local currency unless otherwise stated.

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