

India Ratings Places Mindtree on RWE

29

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India Ratings and Research (Ind-Ra) has placed Mindtree Limited's Long-Term Issuer Rating of 'IND AA' on Rating Watch Evolving (RWE). The Outlook was Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Fund-based working capital limits	-	-	-	INR7,900	IND A1+/RWE	Placed on RWE
Non-fund-based limits	-	-	-	INR450	IND A1+/RWE	Placed on RWE

Analytical Approach: Ind-Ra continues to take a consolidated view of Mindtree and its 100% subsidiaries Magnet LLC, Bluefin Solutions Limited and Blouvin Limited to arrive at the ratings, due to the operational and strategic linkages among them, driven by similar business lines.

KEY RATING DRIVERS

The RWE follows the signing of a definitive agreement between a shareholder of Mindtree and Larsen & Toubro Limited (L&T) for the sale of a 20.3% stake in Mindtree for INR32.7 billion and L&T's apparent intent to raise the holding to a majority stake through an open offer. Meanwhile, Mindtree has decided not to go ahead with the earlier contemplated share buyback.

L&T through its subsidiary, L&T Infotech Limited, is also engaged in the IT business.

Ind-Ra will continue to closely monitor the developments and resolve the watch on the receipt of adequate clarity on the proposed transaction by evaluating its impact on Mindtree's business and financial profile.

RATING SENSITIVITIES

Ind-Ra will continue to monitor the developments and await greater clarity to emerge on the acquisition. The RWE indicates that the ratings may be raised, lowered or affirmed.

COMPANY PROFILE

Mindtree was incorporated in August 1999 by a team of information technology professionals and ex-employees of companies such as Wipro Limited, Cambridge Technology Solutions and Lucent Technologies. The company classifies its business into four verticals namely manufacturing & retail, banking finance services & insurance travel and media, others and hi-tech. The company's service offerings include development, engineering, maintenance, consulting, package implementation, intellectual property, independent testing and infrastructure management and technical support. The company has presence in four geographies, viz. the US, Europe, India and rest of the world. During 9MFY19, the company generated INR51,821 million in revenue with INR7,842 million in EBITDA.

FINANCIAL SUMMARY (Consolidated)

Particulars	FY18	FY17
Revenue (INR million)	54,628	52,364
EBITDA(INR million)	7,405	6,518
Interest expense (INR million)	169	191
Debt (INR million)	3,009	991
Cash & equivalents (INR million)	10,495	8,377
Adjusted leverage (x)	1.2	1.0
Source: Mindtree, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	3 January 2019	16 October 2017	1 February 2017
Issuer rating	Long-term	-	IND AA/RWE	IND AA/Stable	IND AA/Stable	IND AA/Stable
Fund-based working capital limits	Short-term	INR7,900	IND A1+/RWE	IND A1+	IND A1+	IND A1+
Non-fund-based limits	Short-term	INR450	IND A1+/RWE	IND A1+	IND A1+	IND A1+

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Applicable Criteria

[Corporate Rating Methodology](#)

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