

## Rating Rationale

ABS India Pvt Ltd

11 Sept 2018

**Brickwork Ratings reaffirms BWR BBB- (Stable)/ A3 for the Bank Loan Facilities of ₹. 15.00 Crores of ABS India Pvt Ltd. (ABS or 'The Company')**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sept,2017)	Present
<b>Fund based</b> Overdraft Working capital demand loan (Sublimit of OD)	1.00 (0.80)	<b>2.50</b> <b>(0.80)</b>	<b>Long Term</b>	BWR BBB- Outlook: Stable	<b>BWR BBB-</b> <b>(Pronounced as BWR Triple B Minus)</b> <b>Outlook: Stable</b> <b>Reaffirmed</b>
<b>Non Fund Based</b> Bank Guarantee BG II- FC (Sublimit of BG)	14.00 (5.00)	<b>12.50</b> <b>(5.00)</b>			
BG III- Open ended (Sublimit of BG) BG IV- Sublimit of OD	(2.00) -	<b>(2.00)</b> <b>(2.50)</b>			
<b>Non Fund Based</b> LC (ILC/FLC) (Sublimit of BG)	(15.00)	<b>(5.00)</b>	<b>Short Term</b>	BWR A3	<b>BWR A3</b> <b>(Pronounced BWR A Three)</b> <b>Reaffirmed</b>
<b>Total</b>	<b>15.00</b>	<b>15.00</b>	<b>INR Fifteen Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Rating Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisional financials for FY18, publicly available information and information/clarifications provided by the management.



The rating continues to draw strength from the extensive experience of the promoter in the telecommunication domain, satisfactory track record, reputed clientele, long standing association with OEM Alcatel- Lucent and above average financial risk profile.

However, the rating continues to be constrained by moderate scale of operations, high receivable levels and stiff competition from other players.

Going forward, the ability of the company to increase its scale of operations profitably, diversify its customer base and improve receivables level are the key rating sensitivities.

### **Key Rating Drivers**

**Experienced Management & satisfactory track record:** Mr. Sunil Arora is the founding director and CEO of the company and has over 3 decades of experience in the telecom domain. ABS has a track record of operations of around two decades which aids the company in having established relations with its suppliers and develop a reputed clientele base. Some of its clients include Delhi Metro, Alstom Transport, ZTE Telecom, Kolkata Metro etc. It has over 23 years of long standing association with its OEM supplier Alcatel- Lucent.

**Above average financial risk profile:** The capital structure of the company stood comfortable backed by gearing ratio of 0 in FY 17, on account of lower working capital borrowings. Also, the tangible networth increased from Rs. 9.18 Crs as on 31st March 2016 to Rs. 13.97 Crs as on 31st March 2017 due to retention of profits. DSCR was at 8.11 times and ISCR was at 7.06 times as on 31st March 2017.

**Modest scale of operations:** The Total operating income increased in the past three years from Rs. 55.02 Crs in FY15, Rs. 65.05 Crs in FY16 & Rs. 70.39 Crs in FY 17. However, in FY18 it declined to Rs. 65 Crs on a provisional basis indicating stagnant revenues for the past three years. Currently, it has an order book aggregating to ~Rs. 32 Crs.

**High Receivables level:** The company has high receivables level in the range of 4-6 months due to delay in receiving payments from Government customers. There is a need to negotiate quicker payments terms and improve collections. Also, many of the payments are activity based and are received only after installations. Since due to the site not being ready for installations, there is a delay in receivables.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **ABS India Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

ABS was incorporated on December 1, 1995 as Alcatel Business Systems India Pvt Ltd, to carry on the distribution and marketing of telecommunication equipment, using the technical know-how supplied by Al-caten Lucent, France. It is a telecommunication systems integrator providing customized enterprise communication solutions to Large, medium, small and multi location businesses. In 1999, the company became 100% subsidiary of Alcatel Lucent. Subsequently, the company's shareholding has undergone many changes, and currently ABS is held by 2 shareholders, viz., Mr. Sunil Arora and Ms. Supriya Dhanda. The Company has a branch in Singapore. A majority of company's sales and purchases (imports) are routed through this branch in order to effectively manage currency risks.

### Financial Performance

ABS reported Operating Revenue of Rs.70.39 Crs and Net Profit of Rs 4.76 Cr for FY17 as against Operating Revenue of Rs. 65.05 Crs. and Net Profit of Rs.4.23 Cr for FY 16. On a provisional basis, the firm has achieved turnover of around Rs. 65.11Crs for FY 18. Tangible Networth was Rs 13.97 Crs and Nil Total debt as on March 31 2017. Current ratio was 1.16 times as on March 31 2017.

The key financial indicators are summarized in Annexure II

### Rating History for the last three years

Instrument /Facility	Current Rating ( Sept 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	Sept 2017	Aug 2016	Sept 2015
Overdraft Working capital demand loan (Sublimit of OD) Bank Guarantee BG II- FC (Sublimit of BG) BG-III- Open Ended (Sublimit of BG) BG IV (Sublimit of OD)	Long Term	2.50 (0.80) 12.50 (5.00) (2.00) (2.50)	<b>BWR BBB- (Outlook: Stable) Reaffirmed</b>	BWR BBB- (Outlook: Stable) Reaffirmed	BWR BBB- (Outlook: Stable) Downgraded	BWR BBB (Outlook: Stable) Reaffirmed
LC (ILC/FLC (Sublimit of BG)	Short Term	(5.00)	<b>BWR A3 Reaffirmed</b>	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Reaffirmed
<b>Total</b>		<b>15.00</b>	<b>₹ Fifteen Crores Only</b>			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information- NA

**Annexure I**

**Bank Facilities Details- Kotak Mahindra Bank, Bangalore, Karnataka**

Facilities**	Type	Total
Cash Credit	Fund Based	<b>2.50</b>
Bank Guarantee	Non Fund Based	<b>12.50</b>
<b>Total</b>		<b>15.00</b>

**Annexure II**

**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	70.39	65.05
EBITDA	Rs. in Crs	5.51	5.72
PAT	Rs. in Crs	4.76	4.23
Tangible Net worth	Rs. in Crs	13.97	9.18
Total Debt/Tangible Net worth	Times	0	0.29
Current Ratio	Times	1.16	0.99

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i><b>Nagaraj KS</b></i> <i>Chief Manager- Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf). Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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