Rating Rationale

Brickwork Ratings Reaffirms 'BWR BBB' & 'BWR A3' for the Bank Loan Facilities aggregating ₹ 25 Cr of ABS India Pvt. Ltd.

Brickwork Ratings has *reaffirmed* the following **Ratings**[1] for Bank Loan facilities of ABS India Pvt. Ltd *(ABS or the 'Company')*.

Facility	Limit (₹ Cr)		Tenure	Rating *Reaffirmed*
	Previous (Proposed)	**Present**		
Fund Based				
OD	5.00	**5.00**	**Long Term**	**BWR BBB** (Pronounced BWR Triple B) **Outlook - Stable**
Working Capital Demand Loan *(Sub-limit of OD)*	-	(4.00)		
Non-Fund Based				
Bank Guarantee	25.00	**20.00**	**Short Term**	**BWR A3** (Pronounced BWR A Three)
BG -II : Foreign Currency *(Sub-limit of BG)*	-	(5.00)		
LC (ILC/FLC) *(Sub-limit of BG)*	-	(5.00)		
Buyer's Credit – I *(Sub-limit of BG)*	-	(5.00)		
Buyer's Credit – II *(Sub-limit of OD)*	-	(5.00)		
Total	30.00	**25.00**	**INR Twenty Five Crores only**	

BWR has essentially relied upon audited financial results up to FY13, provisional financials for FY14, projected financials for FY15 & FY16, publicly available information and information provided by the management.

The rating, inter alia, continues to factor the experience of promoters in the telecommunication segment, an impressive list of clientele, a good order book position and the strategic alliances with leading OEMs such as Alcatel-Lucent, Brovis, and Cisco etc.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The Company is insulated from foreign exchange risks due to the billing for imported components being made, and payments received in, in US Dollars. The rating has also taken into account the improvement in the Company's financial profile despite the reduction in turnover. However, the rating is constrained by the increasing dependence of the Company on government clients which generally puts a strain on receiving payments, high days of receivable and payable.

Background:

ABS is a telecommunication systems integrator providing customized enterprise communication solutions to Large, Medium, Small and multi-location businesses. ABS India Private Limited ('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 Alcatel–Lucent, France ('A-Lu'). Subsequent to A-Lu's global restructuring initiatives during the years 2001 and 2002, A-Lu entered into an arrangement on March 7, 2002 to sell its entire shareholding in ABS to PSP Business Systems Private Limited ('PSP' or 'the holding Company'), a Company incorporated in India by 3 key management personnel of ABS namely Parswanath Jain, Sunil Arora and V. Pradeep and subsequently the name of Alcatel Business Systems India Pvt Ltd was changed to ABS India Pvt Ltd. As a part of this change, ABS entered into a 'Premier Business Partner' agreement with A-Lu, which provides distributorship rights to sell A-Lu products in the South Asian territory, excluding Pakistan. PSP was later merged with ABS on April 1, 2012 and presently ABS is held by two shareholders namely Mr. Sunil Arora and Mr. Parswanath. P. Jain. This merger has resulted in rationalization of the equity structure of the Company.

A majority of the Company's sales and purchases (imports) are routed through its branch in Singapore in order to nullify the effects of currency movement.

Financial Performance:

The Company's net revenue decreased to ₹ 55.21 Cr in FY13 from ₹ 59.59 Cr in FY12. The sales have further declined to ₹ 51.36 Cr in FY14 as per provisional financial information provided by the management. However, the Company's profit margins have shown an improvement during FY14. The Company reported an operating profit margin of 7.07 per cent and a net profit margin of 5.06 per cent for FY13. Consequent to the Company's reorganization in FY13 and the consequent rationalization of equity the Company's tangible net-worth stands at ₹ 19.02 Cr as on 31st March 2013.

Rating Outlook:

Going forward, the Company's ability to register consistent growth in turnover with an increase in profitability margins and prudent management of its working capital will be the key rating sensitivities. The outlook is expected to be stable over the year.

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