

Rating Rationale

Brickwork Ratings reaffirms 'BWR BBB' & 'BWR A3' for the Bank Loan facilities aggregating ₹25 Cr of ABS India Private Limited

Brickwork Ratings (BWR) has reaffirmed the following **Ratings**¹ for the Bank Loan Facilities of Rs. 25.00 Cr of **ABS India Private Limited** ("ABS" or "the Company"):

Facilities (availed from KMBL)	Previous Limits (Rs. Cr)	Present Limits (Rs. Cr)	Tenure	Previous Rating Date :20- Aug-2014	Review Rating
Fund Based					
Over Draft	5.00	5.00	Long Term	BWR BBB (Pronounced BWR Triple B) Outlook: Stable	BWR BBB (Pronounced BWR Triple B) Outlook: Stable
Working Capital Demand loan (Sub-limit of OD)	(4.00)	(4.00)			
Non-Fund Based					
Bank Guarantee	20.00	20.00	Short Term	BWR A3 (Pronounced BWR A Three)	BWR A3 (Pronounced BWR A Three)
BG –II : Foreign currency (Sub limit of BG)	(5.00)	(5.00)			
BG –III : Open Ended (Sub limit of BG)	-	(2.00)			
LC (ILC/FLC) (Sub limit of BG)	(5.00)	(5.00)			
Buyer's Credit – I (Sub limit of BG)	(5.00)	(5.00)			
Buyer's Credit – II (Sub limit of OD)	(5.00)	(5.00)			
Total	25.00	25.00	(INR Twenty Five Crores only)		

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

BWR has essentially relied upon the audited financial results of the company for FY14, provisional financials for FY15, projected financials for FY16 & FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of the promoters in the telecommunication segment, track record of project execution, Strategic alliances with OEMs such as Alcatel-Lucent, Brovis, Cisco etc. and an impressive list of clientele. However, the ratings are constrained by the modest scale of operations, and higher receivables levels, due to increasing dependence of the Company on government clients.

Background:

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')

During the year 1999, the Company became a 100 per cent subsidiary of 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 by 3 key management personnel of ABS. 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 on March 1, 2002 (renewed periodically), which provides distributorship rights to sell A-Lu products in the South Asian territory, excluding Pakistan. In Sep 2011, PSP Business Systems Pvt Ltd was merged with ABS India Pvt Ltd on April 1, 2012 and presently ABS is held by two shareholders, viz., Mr. Sunil Arora and Mr. Parswanath. P. Jain. The Company has a branch in Singapore. The branch effectively commenced distribution and marketing of telecommunication equipment from April, 2006. A majority of the Company's sales and purchases (imports) are routed through this branch in order to effectively manage currency risks.

Financial Performance:

As per audited financials for FY14, revenue from operations was Rs. 51.26 Cr and operating profit margin 9.82% as against Rs. 55.21 Cr and 7.08% in FY 13. Company's profit margins have shown improvement over last two years and PAT in FY14 was Rs. 4.43 Cr. Tangible net worth stood at Rs. 23.46 Cr in FY 14. The company enjoys fund and non-fund facilities from Kotak Mahindra Bank. Total Debt :Equity ratio was low at 0.14 times as on 31 March 2014.

As per the unaudited financials, for FY 15, the company's revenue from operations has marginally increased to 54.78 Cr.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the company to increase revenue and its scale of operations, diversify customer base and improve its receivables levels would be the key rating sensitivities.

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