

## Rating Rationale

ACN Infotech (India) Pvt Ltd

31<sup>st</sup> March 2017

**Brickwork Ratings reaffirms BWR A3 for the bank loan facilities of Rs 52.00 Crs of ACN Infotech (India) Pvt Ltd (“ACNIPL” or “the Company”)**

### Particulars:

Limits Rated	Amount (Rs Crs)	Amount (Rs Crs)	Tenure	Ratings*	
	Previous	Present #		Previous	Present
<b>Non Fund based Limits:</b> Foreign Bank Guarantee (FBG)	52.00	52.00	Short term	BWR A3 [Pronounced BWR A Three]	<b>BWR A3</b> [Pronounced <b>BWR A Three</b> ] [Reaffirmed]
<b>Total</b>	<b>52.00</b>	<b>52.00</b>	<b>INR Fifty Two Crores Only</b>		

Note: Above Non Fund based Limits- FBG limits comprise of Euro 3.00 Mio and USD 4.50 Mio

#Annexure I shows details of bank loan facilities

\*For definitions of the rating symbol please visit our website [www.brickworkratings.com](http://www.brickworkratings.com)

### Rating Reaffirmed

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

BWR has principally relied upon the audited financial results up to FY16 of ACN Infotech (India) Pvt Ltd, consolidated provisional financials of the Group up to FY16, publicly available information and information/clarifications provided by the Company.

The reaffirmation of ratings continues to factor the promoter’s extensive experience in the offshoring business (BPO Industry), reputed clients, modest financial performance and average financial risk profile of the Company marked by modest net worth, low gearing levels and comfortable debt protection metrics. The rating, however continues to be constrained on account of the intensely competitive industry, moderate scale of business operations and high dependence on foreign subsidiaries for generating revenues.

Going forward, the ability of the Company to expand business operations across the globe, ensure sustained profitable operations, strengthen its internal controls and accounting methodologies and manage its working capital efficiently would be the key rating sensitivities.

### About the Company

ACN Infotech (India) Pvt Ltd was established in 2001 at Visakhapatnam, and is primarily engaged in the business of providing content management, IT & BPO services in the domains of Business Process Management (BPM), Document Management System (DMS) and Systems Integration Services. The



Company presently has a work force of 1800 with 11 offices globally in USA, Europe and India.

The Key subsidiaries of ACN Infotech are COSA B.V (specializes in Workflow Software & BPM suite with offices in Germany and Netherlands), ACN Technologies Inc (specializes in providing data and document management outsourced services with offices in USA) and ACN Infotech Pvt Ltd (specializes in IT/ ITES). The Company has offices in Hyderabad and Visakhapatnam in India. The company's clients include small, medium and large enterprises and some of the key customers for IT & BPO services are Experian, Equifax, Officemax, West LB Bank, SMG, DTI Global etc.

For BPM & Workflow Products managed by COSA B.V., the company has offices in Pulheim (Cologne) and Vianen (Utrecht). COSA's main business is to provide solutions/products such as Workflow Software & BPM Software Suite. For this segment, Company's key customers are ING, HDI Versicherungen, Federal Ministry of the Interior (Vienna), Federal Ministry for Civilian Service Ministry of the Interior, Schleswig-Holstein Ministry for Economic Affairs and Labor, Deutsche Post, Ford Werke AG, KarstadtQuelle, Otto Versand Hamburg, Getrag Ford Transmissions and KPN (Dutch Telecom), TSystems.

For Document Management Services and BMS Solutions - USA managed by ACN Technologies Inc, the work locations are Los Angeles, CA, Ewing, NJ, Jersey City, NJ and Vienna, Virginia. For this segment, services Offered are Document Capture, Document Indexing, BPO & Application Hosting. The key customers for this segment are Sony Pictures Entertainment, ABC/Touchstone, Kaiser Permanente, NBC / Universal, PMA, NY Carpenters, State Bank of India and Sheet Metal Workers Union.

In April 2016, one of the Wholly Owned Subsidiaries of ACN Infotech viz ACN Technologies Inc, acquired Global RCP LLC which is a Revenue Cycle management Company servicing the US markets. The Company offers healthcare services through its medical billing and coding division and had nearly 560 personnel working in Bangalore. Post-acquisition, the Company has set up separate teams taking the employee strength to over 1000 for RCM services in the new Hyderabad and Visakhapatnam facilities.

Mr Chaman Baid is the Managing Director & the CEO of the Company. He has an overall experience of 17 years in the field of IT/ ITES services and offshoring industry. Mrs. Prerana Baid is the other Director.

### **Financial Performance**

At standalone level, ACNIPL's revenues have remained stagnant at Rs 4.52 Crs in FY16 when compared to Rs 4.45 Crores in FY15. Profit after tax has declined to Rs 0.12 Crs in FY16 from Rs 0.92 Crs in FY15 due to higher depreciation and interest charges.

At Consolidated level, revenues have increased to Rs 131.31 Crs in FY16 from Rs 93.15 Crs in FY15. Profit after tax increased to Rs 26.45 Crs in FY16 when compared to Rs 18.68 Crs in FY15. Net worth of the Group stood at Rs 105.71 Crs as on March 31, 2016. As of Dec 31, 2016, on a provisional basis, the Group has reported consolidated revenues of ~Rs 95 Crs.

**Rating History for the last three years:**

Sl. No.	Instrument/ Facility	Current Rating (2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date & Rating assigned in 2016**	Date & Rating assigned in 2015	Date & Rating assigned in 2014*
1.	Non Fund based	Short term	52.00	BWR A3 [Reaffirmed]	BWR A3 [Upgraded]	Not Rated	BWR A4+ [Assigned]

\*Amount rated: Rs 52.00 Crs

\*\*Amount rated: Rs 52.00 Crs

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)

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**ACN Infotech (India) Pvt Ltd**

**Bank wise break up**  
**Annexure I**

Nature of Facilities	Bank: Bank	Canara	(Rs Cr)
<b>Limits</b>		<b>Sanctioned Limits</b>	<b>Amount Rated</b>
<b>Non Fund based Limits:</b>			
Foreign Bank Guarantee		52.00	52.00
<b>Total</b>		<b>Rs 52.00 Cr [INR Fifty Two Crores Only]</b>	

Note: Above Non Fund based Limits- FBG limits comprise of Euro 3.00 Mio and USD 4.50 Mio

**For print and digital media**

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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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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