

Rating Rationale

Brickwork Ratings revises ratings to ‘BWR A3’ for the Bank Loan facilities aggregating ₹ 52 Cr of ACN Infotech (India) Pvt Ltd

On a review, Brickwork Ratings (BWR) has revised the **Rating¹** for the Bank Loan facilities of **ACN Infotech (India) Pvt Ltd** (“ACNIPL” or “the Company”) as follows:

Limits	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating History (Oct 2014)	Rating (Mar 2016)
Non-Fund based Limits: Foreign Bank Guarantee	52.00	52.00	Short Term	BWR A4+ (Pronounced BWR A Four Plus)	BWR A3 (Pronounced BWR A Three) [Upgraded]
Total	52.00	52.00	INR Fifty Two Crores Only		

#Annexure I shows details of credit facilities

BWR has principally relied upon the audited financial results up to FY15 of ACN Infotech (India) Pvt Ltd, consolidated provisional financials of the Group up to FY15, publicly available information and information/clarifications provided by the Company.

The rating upgrade has factored, inter alia, 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.

Background

ACN Infotech (India) Pvt Ltd was established in 2001 in 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 ~1100 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.

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

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), T-Systems.

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.

Shareholding and Management Profile

ACNIPL is a closely held Company promoted by Mr. Chaman Baid (holds 31% of the Company's shareholding) followed by Mrs. Prerana Baid (0.01%). The balance shareholding is held by ProElite Holdings Ltd. Mr Chaman Baid is the Managing Director & the CEO of the Company. He has an overall experience of 16 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 increased marginally to Rs 4.45 Crs in FY15 from Rs 4.25 Crores in FY14. Profit after tax also showed a slight increase to Rs 0.92 Crs in FY15 from Rs 0.69 Crs in FY14. Net worth of the Company was at Rs 23.70 Crs as at March 31 2015 as against Rs 23.13 Crs as at March 31, 2014. As of February 29, 2016, on a provisional basis, the Company has reported standalone revenues of ~Rs 10.25 Crs.

At Consolidated level, revenues have increased to Rs 91.41 Crs in FY15 from Rs 71.46 Crs in FY14. Profit after tax increased to Rs 18.41 Crs in FY15 from Rs 14.09 Crs in FY14. Net worth of the Group improved to Rs 75.68 Crs in FY15 as against Rs 59.42 Crs in FY14. As of Dec 31, 2015, on a provisional basis, the Group has reported consolidated revenues of ~Rs 75 Crs.

Qualification of the Statutory Auditor

The Statutory Auditors of the company have qualified their Independent Auditors Report for FY15, duly stating as follows: "The Company had not provided for deferred tax asset/ liability in books of accounts as per the requirement of Accounting Standard 22, the effect of balance sheet to extent of Net deferred tax liability not created as on 31st March, 2015 is Rs 1.44 Crs and as the Company had no deferred tax asset or liability in its balance sheet as at the beginning of the financial year, profit is overstated to an extent of Rs 1.44 Crs in the P&L Account".

The management has stated that the Company could not compile the required details in time and hence the provision was not made.

Rating Sensitivities

ACNIPL derives benefits from its consolidated operations and established presence via foreign subsidiaries in abroad. 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.

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ACN Infotech (India) Pvt Ltd

Annexure I: Details of the bank facilities rated

Nature of Facilities	Bank: Canara Bank	(Rs Cr)	
		Limits	Sanctioned Limits
Foreign Bank Guarantee		52.00	52.00
Total Non-Fund Based Limits		52.00	52.00
Total	Rs 52.00 Cr	Rupees Fifty Two Crores only	