

## Rating Rationale

### Brickwork Ratings assigns ‘BWR BB’ rating for the Bank Loan facilities of Algol Business Systems Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for Bank Loan facilities amounting to Rs. 6.10 Crores of Algol Business Systems Private Limited (“ABSPL” or “the Company”):

Facility	Limits (Rs. Cr)	Tenure	Rating
<b>Fund Based:</b>			
<b>Term Loan I</b>	<b>2.10</b>	<b>Long Term</b>	<b>BWR BB</b> <i>(Pronounced BWR Double B)</i> <b>Outlook:Stable</b>
<b>Term Loan II</b>	<b>4.00</b>		
<b>Total</b>	<b>6.10</b>	<b>INR Six Crores and Ten Lakhs only</b>	

BWR has essentially relied upon the audited financials up till 2014, projected financials upto FY 17, publicly available information and clarifications provided by the Company's management.

The ratings have factored in the qualification and experience of the promoters, projected growth in the revenue, operating margins, reasonable track record and locational advantage of the Company for carrying out the activities .

The ratings are constrained by low scale of operations, relatively tight current ratios, volatile nature of business in the sector and the geographical concentration of the Company's operations.

#### Background:

Algol Business Systems Pvt Ltd., located in the district of Faridabad, Haryana was incorporated as a private limited company in the year 1996 for carrying out the activity as an intermediary to various Study Centers for Distance Education. Mr. Sandeep Arora and Mr. Sudershan Arora were the promoter Directors of the Company. After the retirement of Mr. Sudershan Arora, the management was joined by two new directors – Mr. Sajjan Singh and Mr. Navdeep Naseer. Mr. Sandeep Arora, along with other directors initially carried out as a franchise center for Brilliant's Computer Center. During 2004, they diversified their activities for liasioning between Study Centers and various Universities for Distance Education in the region.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The Company primarily processes the applications, collected from different Study Centers which in turn are received from students towards various distance education courses to be held at various Universities, does a background check and other related functions. ABSPL processes approximately 50000 applications per annum. It has procured land during the year in Faridabad and is in the process of constructing a new office in that place. It plans to re-locate its operations to the new premises tentatively from 2016.

### Management Profile:

The Directors of the Company are Mr. Sandeep Arora, Mr. Sajjan Singh and Mr. Navdeep Naseer. All the directors are holding 33.33% of the shares each. Mr. Sandeep Arora is also the founder trustee to Algol Universal Trust at Gurgaon and an Honorary founder of First Edu India Ltd.

### Financial Performance:

The Company has reported Net Revenue of Rs. 7.15 Crs and PAT of Rs 0.89 Crs in FY 14 as against Rs. 11.58 Crs and Rs. 1.10 Crs in FY13. Net Worth of the Company stood at Rs 5.10 Crs as on March 31, 2014. The Debt Protection metrics were comfortable with ISCR at 12.38 times and DSCR at 8.89 times as on March 31, 2014.

### Rating Outlook:

The outlook of the Company for the current year is expected to be stable. However, the ability of the Company to achieve and maintain relations with the Universities, improve its profitability, achieve geographical and customer diversification in its revenue profile and manage its working capital efficiently will be the key rating sensitivities.

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