



RATING RATIONALE

23 Oct 2019

ABS India Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹15.00 Crores of ABS India Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2018)	Present
Fund based	2.50	2.50	Long Term	BWR BBB-/Stable	BWR BBB-/Stable
Non Fund Based	12.50	12.50	Short Term	BWR A3	BWR A3
Total	15.00	15.00	INR Fifteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

The rating action factors in inconsistent growth in revenues and profits. The ratings continue to reflect the vintage of the company, experience of their promoters and low gearing. However, the rating strengths are offset by declining net worth, order book and supplier concentration risk and moderately high receivables and payables.

BWR believes the ABS India Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

- **Credit Strengths:**

ABS India Pvt Ltd was incorporated in 1995 and has a vintage of more than 2 decades. The current management took over the company in 2002. Mr. Sunil Arora, Managing Director &



founder member, has completed his graduation from BITS Mesra, Ranchi and is an expert in the telecommunication arena with an extensive experience of over 3 decades in telecom domain. Operating income of the company increased to Rs. 68.36 Crs from Rs. 65.37 Crs in FY18. Total debt of the company declined from Rs. 1.41 Crs to Rs. 0.83 Crs in FY19 bringing the gearing down to 0.08 times in FY19 from 0.12 times in FY18.

- **Credit Risks:**

Despite the vintage of the company, there is no significant growth in revenues generated and profits have been declining over the last 3 years. PAT declined from Rs. 4.76 Crs in FY17 to Rs. 2.14 Crs in FY18 and Rs. 1.96 Crs in FY19. Tangible net worth has also been declining despite generating profits every year. There was a significant jump in the trade payables of the company due to increase in purchases during FY19. The company faces a concentration risk with both, suppliers as well as its clients. The company gets almost 90% of its equipment from Alcatel–Lucent, France ('A-Lu'), the rest from OEMs and as much as 45% of their order book for sale of equipment, is accounted for by the Bangalore metro expansion project making the company vulnerable to changes in procurement strategy and these customers.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of Udayshivakumar. and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- Growth in Revenue
- Increase scale of operations
- Growth in profits
- Increase in the net worth

Negative:

- Delays in receivables and payables realization
- Increase in gearing
- Reduction in net worth



LIQUIDITY POSITION

Current ratio was moderately low at 1.15 times as on March 31, 2019. Cash accruals were also moderate at Rs. 2.30 Crs increasing the net cash accruals/total debt ratio to 2.78 times in FY19 as compared to 2.31 times in FY18. Cash and cash equivalents were reported at Rs. 2.77 Crs in FY18 and Rs. 3.29 Crs in FY19.

COMPANY PROFILE

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. It is a telecommunication systems integrator providing customized enterprise communication solutions to Large, medium, small and multi location businesses. In 1999, the company became a 100% subsidiary of Alcatel Lucent. Subsequently, the company's shareholding has undergone many changes, and currently ABS is held by 2 shareholders, viz., Mr. Sunil Arora and Ms. Supriya Dhanda. The Company has a branch in Singapore. A majority of the company's sales and purchases (imports) are routed through this branch in order to effectively manage currency risks.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Cr	68.36	65.37
EBITDA	₹ Cr	1.91	3.80
PAT	₹ Cr	1.96	2.14
Tangible Net worth	₹ Cr	10.81	11.32
Total Debt/Tangible Net worth	Times	0.08	0.12
Current Ratio	Times	1.15	1.20

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	12.09.19	11.09.18	20.09.17
Fund Based	Long Term	2.50	BWR BBB-/Stable	Rating Not Reviewed	BWR BBB-/Stable	BWR BBB-/Stable
Non-Fund Based	Short Term	12.50	BWR A3		BWR A3	BWR A3
Total		15.00	INR Fifteen Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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ABS India Pvt Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
	Kotak Mahindra Bank	Overdraft	2.50	0.00	2.50
		Bank Guarantee	0.00	12.50	12.50
TOTAL					15.00

Total Rupees Fifteen Crores only.

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