

Rating Report

Brickwork Ratings reaffirms to “BWR BBB” for the Bank Loan facilities aggregating to Rs.25.00 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 ¹
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.

Credit Risk Assessment:

- **Modest Scale of operations:** Though the company is in the current business mode for over 10 years, the scale of operations has remained modest, and hovers between Rs. 50 – 60 Crores, considering total operating income. Considering the demand for the type of products and services the company provides, there is scope for a good growth, which will bring in the benefits of scale of operations to the company.
- **High Receivables level:** The company has high receivables level in the range of 4 – 6 months, which stretches working capital needs. This is mainly due to increasing dependence on government Public Sector clients. There is a need to negotiate quicker payment terms, and overall improve collections.

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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

ABS India Private Limited
Annexure I: Profit & Loss Account

Profit and Loss Account				
Crores	FY 12	FY 13	FY 14	FY 15
Result Type	Audited	Audited	Audited	Provisional
Net Sales	44.07	37.90	33.43	36.89
Other Operating Income	15.53	17.32	17.84	17.89
Total Operating Income	59.59	55.21	51.26	54.78
Change In Inventory (Increase)/Decrease	0.14	0.47	-0.65	0.62
Traded Goods Purchased	34.98	27.99	25.90	26.66
Power and Fuel Expenses	0.00	0.21	0.20	0.20
Employee Cost	10.74	12.99	11.96	12.17
Manufacturing Expenses	2.58	3.95	3.70	3.84
Cost of Goods Sold	48.44	45.61	41.11	43.49
Selling, General and other Administrative expenses	6.42	5.70	5.12	5.44
Operating Expenses	54.86	51.30	46.23	48.93
OPBDIT	4.74	3.91	5.03	5.85
Depreciation/Amortization/Impairment	0.88	0.83	0.81	0.81
OPBIT	3.86	3.08	4.22	5.04
Interest and Finance Charges	1.34	1.54	1.05	0.98
OPBT	2.52	1.54	3.17	4.06
Non Operating Income(Expenses)	3.12	2.62	3.06	3.14
PBT	5.64	4.16	6.24	7.20
Extraordinary/Prior Period - Income(Expense)	0.00	0.00	0.00	0.00
Provision for Taxes	1.65	1.36	1.80	1.64
PAT	3.99	2.79	4.43	5.56

ABS India Private Limited
Annexure II: Balance Sheet

Balance Sheet				
Crores	FY 12	FY 13	FY 14	FY 15
	Audited	Audited	Audited	Provisional
EQUITY AND RESERVES	43.74	19.02	23.46	29.01
Share capital	14.84	5.00	5.00	5.00
Reserves and Surplus	28.90	14.02	18.46	24.01
Non-current liabilities	9.14	6.48	0.38	0.22
Long-Term Borrowings	9.14	2.94	0.00	0.00
Other Long Term liabilities	0.00	3.03	0.00	0.00
Long-Term Provisions	0.00	0.52	0.38	0.22
Current liabilities	30.81	26.09	27.68	22.65
Short-Term Borrowings	5.74	4.97	3.36	4.03
Current Portion Of Long Term Debt	0.56	0.00	0.00	0.00
Trade Payables	18.46	11.75	12.52	7.51
Other Current Liabilities	3.39	5.93	8.57	7.22
Short-Term Provisions	2.66	3.43	3.23	3.90
Total Liabilities	83.70	51.59	51.52	51.89
ASSETS				
Non-current assets	26.44	25.43	11.54	13.76
Net Fixed assets	21.16	20.72	8.20	7.47
Net Intangible assets	0.01	0.01	0.00	0.00
Deferred Tax Assets (Net)	1.41	0.89	0.66	0.66
Long Term Loans and Advances	0.76	1.49	1.57	1.40
Other Non Current Assets	3.10	2.32	1.12	4.23
Current assets	57.26	26.16	39.97	38.12
Current Investments	2.93	0.28	1.80	13.70
Inventories	0.70	0.23	0.89	0.26
Trade Receivables > Six Months	0.51	1.72	3.09	2.45
Trade Receivables < Six Months	21.65	17.68	14.80	15.59
Cash and Cash Equivalents	1.65	4.28	8.57	1.15
Short-Term Loans and Advances	29.05	1.21	1.46	1.94
Other Current Assets	0.78	0.75	9.37	3.03
Total Assets	83.70	51.59	51.52	51.89

ABS India Private Limited
Annexure III: Key Financial Ratios

Key Financial Ratios					
Crores		FY 12	FY 13	FY 14	FY 15
		Audited	Audited	Audited	Provisional
Tangible Net Worth	₹ Crores	43.73	19.02	23.46	29.01
Tangible Net Worth (Analyzed)	₹ Crores	43.73	19.02	23.46	29.01
Capital Employed	₹ Crores	57.77	26.04	26.16	32.38
Total Debt/TNW	Times	0.35	0.42	0.14	0.14
Total Debt/TNW (Analyzed)	Times	0.36	0.42	0.15	0.14
Long Term Debt/TNW	Times	0.21	0.15	0.00	0.00
TOL/TNW	Times	0.91	1.71	1.20	0.79
ISCR	Times	3.54	2.54	4.80	5.95
ISCR (Analyzed)	Times	3.54	2.54	4.80	5.95
DSCR	Times	4.64	2.46	4.29	7.48
DSCR (Analyzed)	Times	4.64	2.46	2.74	7.48
Net Cash Accruals/Total Debt	Times	0.34	0.48	1.57	1.55
Net Profit Margin	%	6.69	5.06	8.64	10.14
Operating Profit Margin	%	7.95	7.08	9.82	10.68
ROCE	%	6.68	7.35	16.17	17.22
Current Ratio	Times	1.86	1.00	1.44	1.68
Days Receivables	Days	184	200	204	178
Days Inventory	Days	5	4	5	5
Days Payable	Days	193	197	171	137
Conversion Cycle	Days	-4	7	38	45