

Rating Rationale

Brickwork Ratings assigns 'BWR BBB' & 'BWR A3' for the proposed Bank Credit Facilities aggregating ₹ 30 Cr of ABS India Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the proposed Bank Loan Facilities of ₹ 30.00 Crores of ABS India Pvt. Ltd.

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based			
OD	5.00	Long Term	BWR BBB (BWR Triple B) (Outlook: Stable)
Non-Fund Based			
Bank Guarantee	25.00	Short Term	BWR A3 (BWR A Three)
Total	30.00	INR Thirty Crores only	

The rating, inter alia, factors the experience of the promoters in the telecommunication segment, an impressive list of clientele, a good order book position and the strategic alliances with leading OEMs such as Alcatel-Lucent, Brovis, Cisco etc. The Company is insulated from foreign exchange risks due to the billing for imported components being made, and payments received in, in US Dollars. However, the rating is constrained by the increasing dependence of the Company on government clients which generally puts a strain on receiving orders & payments high days of receivable and payable. The performance of the Company over the last two years, mainly due to transition in management is also a cause for concern. However, the present management appears to have taken the difficulties in its stride and has initiated steps to improve operational efficiency.

BWR has essentially relied upon audited financial results up to FY12, provisional turnover details for FY13, projected financials for FY14, FY15 & FY16, publicly available information and information provided by the management.

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

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 in India by 3 key management personnel of ABS namely Parswanath Jain, Sunil Arora and V. Pradeep. The transaction was consummated on May 23, 2002 on receipt of relevant regulatory approvals. 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.

Upon exit of Mr V. Pradeep from PSP 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 namely Mr. Sunil Arora and Mr. Parswanath. P. Jain. This merger has resulted in rationalization of the equity structure of the Company. The Company has also set up a branch in Singapore on September 14, 2005 under the laws of 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 nullify the effects of currency movement.

Management:

The Company is presently managed by Mr. Sunil Arora and Mr. Parswanath. P. Jain. Mr. Sunil Arora is the CEO and Director of ABS. He is a B Tech graduate and has more than 23 years of experience in the telecommunication segment. Before ABS India he held key positions in Alcatel Business Systems India Limited and HCL. He has several accreditations to enhance business in his previous positions. As a leader at ABS India he is responsible for sales, marketing and all support functions. Mr. Parswanath holds the position of Director – Finance at ABS. He has vast and rich experience in corporate finance, accounts, taxation, legal, supply chain management and HR functions. A veteran with over 30 years of experience, he is responsible for Corporate Finance, Accounting, Treasury Management, Taxation and Legal activities of the Company.

Financial Performance:

The Company's net sales decreased to ₹ 59.59 Crores in FY12 from ₹ 68.58 Crores in FY11. The sales have further declined to ₹ 55.50 Crores in FY13 as per provisional financial

information provided by the management. The Company has an operating profit margin of

7.95 per cent and a net profit margin of 6.69 per cent for FY12. As on 31st March 2012, the Company's tangible net-worth was ₹ 43.73 Crores. However, consequent to the Company's reorganization in FY13 and the consequent rationalization of equity the Company's tangible net-worth has been brought down to ₹ 19.48 Crores as on 31st March 2013.

Rating Outlook:

Going forward, the Company's ability to stabilize the operations and register consistent growth in turnover with an increase in profitability margins and prudent management of its working capital will be the key rating sensitivities. The outlook is expected to be stable over the year.

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

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