

Rating Report

Brickwork Ratings assigns 'BWR A4+' for the Short-Term Credit Facilities of ₹ 52 Cr of ACN Infotech (India) Pvt. Ltd.

Brickwork Ratings has assigned **BWR A4+ Rating**¹ for the short-term Credit Facilities of ₹ 52 Cr of ACN Infotech (India) Pvt Ltd (*"ACNIPL" or "the Company"*) as follows:

Limits	Bank Name	Amount (₹ Cr)	Tenure	Rating
Non Fund based: Foreign Bank Guarantee	Canara Bank	52.00	Short Term	BWR A4+ (BWR A Four Plus)
Total rated Facilities		52.00	INR Fifty Two Crores only	

BWR has principally relied upon the audited financial results up to FY13 of ACN Infotech (India) Pvt Ltd, certified provisional financial statements of FY14, Consolidated Financials of the Group up to FY13, publicly available information and information/clarifications provided by the Company.

The ratings factor, inter alia, promoter's extensive experience in the offshoring business (BPO Industry), reputed clients, improved financial performance at both standalone and consolidated levels and average financial risk profile of the Company. The ratings, are however, constrained on account of the intensely competitive industry, moderate scale of business operations, dependence on foreign subsidiaries for generating revenues and working capital intensity of business.

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) and ACN Technologies Inc (specializes in providing data and document management outsourced services with offices in USA). The Company has offices in Hyderabad and Visakhapatnam in India. The

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

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.

For BPM & Workflow Products managed by COSA, 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 14 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 to Rs 5.30 Crs in FY14 (provisional) from Rs 4.23 Crores in FY13. Profit after tax increased to Rs 0.84 Crs in FY14 from Rs 0.68 Crs in FY 13. PAT and operating margins stood at 15.88% and 35.96% respectively in FY14. Net worth of the Company improved to Rs 23.35 Crs in FY14 as against Rs 18.12 Cr in FY13. Outstanding debt as at March 31, 2014, was Rs 0.73 Crs, comprising only long-term borrowings. Total debt/ Tangible net worth improved to 0.03 times in FY14 from 0.15 times in FY 13. ACNIPL's debt coverage ratios are moderate. The Financials of the Company are summarized in Annexures II, III and IV.

At Consolidated level, revenues have increased to Rs 58.64 Crs in FY13 from Rs 51.20 Crs in FY12. Profit after tax increased to Rs 6.83 Crs in FY13 from Rs 6.16 Crs in FY12. Net worth of the

Group was at Rs 58.87 Crs in FY13 as against Rs 45.35 Crs in FY12. Outstanding debt was Rs 27.11 Crs in FY13.

Rating Sensitivities

ACNIPL derives benefits from its consolidated operations, established presence via foreign subsidiaries in abroad, improved financial performance and moderate debt protection metrics. Going forward, the ability of the Company to expand business operations across the globe, ensure sustained profitable operations and manage working capital efficiently would be the key rating sensitivities.

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ACN Infotech (India) Pvt Ltd

Annexure I: Details of the Short term credit 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	

ACN Infotech (India) Pvt Ltd

Annexure II: Standalone Profit & Loss (Rs Crs)

Particulars	31-Mar-2012	31-Mar-2013
Result Type	Audited	Audited
Net Sales	3.74	4.23
Other Operating Income	0.00	0.00
Total Operating Income	3.74	4.23
Operating Expenses	2.12	2.71
OPBDIT	1.62	1.52
Depreciation/Amortization/Impairment	0.23	0.36
OPBIT	1.39	1.16
Interest and Finance Charges	0.90	0.80
OPBT	0.49	0.37
Non-Operating Income(Expenses)	0.28	0.50
PBT	0.78	0.86
Extraordinary/Prior Period - Income(Expense)	0.00	0.00
Provision for Taxes	0.16	0.19
PAT	0.62	0.68

ACN Infotech (India) Pvt Ltd

Annexure III: Standalone Balance Sheet (Rs Crs)

Particulars	31-Mar-2012	31-Mar-2013
Result Type	Audited	Audited
Liabilities		
EQUITY AND RESERVES	15.02	18.12
Share capital	10.39	10.42
Share Application money Pending allotment	0.70	2.86
Reserves and Surplus	3.92	4.84
Non-current liabilities	0.81	0.48
Long-Term Borrowings	0.81	0.48
Current liabilities	5.20	3.79
Short-Term Borrowings	4.05	2.27
Trade Payables	0.87	1.16
Other Current Liabilities	0.10	0.17
Short-Term Provisions	0.18	0.19
Total Liabilities	21.03	22.40
ASSETS		
Non-current assets	6.21	6.02
Net Fixed assets	6.21	6.02
Current assets	14.81	16.38
Current Investments	8.26	8.26
Trade Receivables < Six Months	0.71	2.76
Cash and Cash Equivalentents	0.67	0.33
Short-Term Loans and Advances	5.17	5.03
Total Assets	21.03	22.40

ACN Infotech (India) Pvt Ltd

Annexure IV: Key Ratios

Particulars	31-Mar-2012	31-Mar-2013
Result Type	Audited	Audited
Long Term Borrowings	0.81	0.48
Short Term Borrowings	4.05	2.27
Total Debt	4.86	2.75
Tangible Net Worth	15.02	18.12
Capital Employed	19.88	20.87
Total Debt/TNW	0.32	0.15
Long Term Debt/TNW	0.05	0.03
TOL/TNW	0.40	0.24
ISCR	1.81	1.91
DSCR	1.94	2.01
Net Cash Accruals/Total Debt	0.19	0.38
Net Cash Accruals/Long Term Debt	1.13	2.14
Net Profit Margin	16.45	15.99
Operating Profit Margin	43.27	35.94
ROCE	6.99	5.70
Current Ratio	2.85	4.32