

## Aurionpro Solutions Limited

December 02, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	46.00 (Enhanced from 43.90)	CARE BBB; Stable (Triple B; Outlook: Stable )	Reaffirmed
Short Term Bank Facilities	99.13 (Reduced from 101.23)	CARE A3+ (A Three Plus )	Reaffirmed
<b>Total Bank Facilities</b>	<b>145.13</b> <b>(₹ One Hundred Forty-Five Crore and Thirteen Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Aurionpro Solutions Limited (ASL) continues to derive strength from professionally qualified and experienced promoters, geographically well-diversified revenue profile albeit exposed to customer and segment concentration risk, stable operating performance with improvement in total operating income, comfortable and improved capital structure.

The above strengths are tempered by Aurionpro' s moderate scale of operations, susceptibility of its profitability to increasing manpower costs, long collection period, exposure to foreign exchange fluctuation risk and presence in an industry characterized by growing competition from IT majors and risk associated with rapid changes in technology.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in revenue to above Rs. 800 crore PBILDT margin of over 25% on a sustained basis
- Improvement in collection days less than 90 days on sustained basis

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Any large sized debt-funded capex, mergers or acquisitions or unrelated diversification resulting in overall gearing over unity on sustained basis
- Average collection days deteriorating over 120 days on a sustained basis

**Outlook:** Stable

### Detailed description of the key rating drivers

#### Key rating strengths

#### Professionally qualified and experienced promoters

ASL has a qualified promoter and management team with a significant track-record in the IT and banking industry. The Chairman of the board and co-founder of the company Mr. Paresh Zaveri holds a degree in engineering and MBA in finance. He has more than 2 decades of experience in corporate finance, supply chain, general management, and strategic planning. The Co-Chairman and another co-founder Mr. Amit Sheth, also an engineering graduate and Postgraduate in finance, has more than 2 decades of experience in corporate finance, technology etc. along with deep domain expertise in banking operations and cash management. The Vice Chairman & Director Mr. Ashish Rai is a seasoned business leader with over 22 years of experience in building and leading fintech and enterprise software businesses across the globe. He has an extensive track record in building market leading software solutions for leading global technology firms serving Banking, Payments and Financial markets. Ashish is based in Singapore and holds a bachelor's degree in Computer Engineering from Bhopal university and an MBA from Indian Institute of Management. The company is managed by seven boards of directors out of which three are independent directors.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Geographically well-diversified revenue profile albeit exposed to customer and segment concentration risk**

The company with its domain expertise in areas of transaction banking, lending and customer experience etc. helps clients in banking verticals to maintain their process and data securely and efficiently. However, the revenue of the company is concentrated mostly in Banking & Fintech. Any slowdown in the economy will adversely impact the revenue of the company.

Further, Aurionpro leverages its core domain expertise and proficiency in technology to maximize the productivity of government entities and thus support build a stronger economy and overall e-Governance. Aurionpro's extensive government solutions such as Smart Mobility, Smart City Solution, Centralized Project Management System, Software Development, Digital Twin City, 5D BIM. These are designed to support the Governments to take a leap in the area of digital transformation. ASL has been able to diversify its customer base within the industry as well as on the global level. The customer profile includes reputed names such as State Bank of India, National Informatics Centre Services Incorporated, United Overseas Bank Ltd., HDFC Bank Ltd., Etisalat etc. Top 10 customers contributed around 46% of the total net sales in FY22, thereby making it susceptible to client concentration risk. However, comfort is drawn from the fact that the company has a long and established relations with its clients and has been able to get repeat orders from them over the years.

**Improvement in TOI with stable profitability margins:**

The total operating income of the company increased by 36% y-o-y to Rs.507.17 crore in FY22 as compared to Rs.374.02 crore in FY21, primarily led by improvement in Technology Innovation Segment. The Banking and Fintech revenue improved by 11.20% and Technology Innovation Group (TIG) by 97.83% YoY basis. Under TIG (Smart city and mobility) ASL successfully installed automatic fare collection (AFC) at metro stations in Nagpur, Kanpur and Noida; transit payment solutions in state transport buses in Haryana and UP. The PBILDT margins of ASL continued to remain healthy at 22.44% in FY22 as compared to 22.47% in FY21. In H1FY23 the total revenue from operations is Rs.301.28 crore as compared to Rs.239.57 crore in H1FY22. The PBILDT margin during H1FY23 is 22.59%.

**Healthy order book position, providing revenue visibility in the medium term:**

As on September 30, 2022, on a consolidated basis ASL had an unexecuted order book of around Rs.677.06 crore, providing good medium-term visibility of its revenues. Moreover, the company has achieved a revenue of ~Rs.301 crore in H1FY23.

**Comfortable and improved capital structure and coverage indicators**

The overall gearing ratio of the company improved to 0.18x in FY22 vis-à-vis 0.48x in FY21. The improvement was on account of increase in profits and repayment of borrowings as compared to the previous year. PBILDT interest coverage ratio of the company improved to 13.77x in FY22 (PY: 5.32x), the improvement in PBILDT interest coverage ratio was on account of increase in PBILDT level.

**Key rating weaknesses****Susceptibility of profitability to manpower costs amidst pricing pressure:**

IT sector is a manpower-intensive business model. The employee costs constituted nearly 35-40% of total revenue of the company. Hence, it remains exposed to industry wide risks of high attrition rates due to numerous growth opportunities available in the domestic market, wage inflation, etc. which can also put pressure on the margins. Hence, the ability of the Company to hire and retain talent coupled with its ability to manage their cost via efficient utilization rate remains critical.

**Intense competition and industry risk:**

ASL is a relatively moderate-scale player in the IT services industry which is dominated by large multinationals with deep pockets. The industry faces intense competition due to low entry barriers. The IT industry also faces challenge from rapid technological changes, which may lead to obsolescence of certain software/services. IT being a labour-intensive industry, the availability and retention of a skilled workforce, attrition levels and wage inflation poses a challenge. The players in this industry is also exposed to macro-economic factors like adverse changes in U.S. laws, including those relating to outsourcing and immigration inherent to the IT services sector remain challenges in the future. In case of recession, the IT spending would be impacted in these regions and margins of the companies would be under pressure. IT being discretionary spend, any cost reduction initiative would result in reduction in IT spends by the clients. However, the verticals and client segment that ASL operates in would minimize the impact of such recession.

### Stretched collection period

The company has long collection period, it offers credit period of 30-90 days to its client both in India and Rest of the World. However, collection period improved to 86 days in FY22 from 114 days in FY21. However, the credit risk profile of ASL thus remains sensitive to the management of its working capital, including timely realisation of receivables from government entities and PSUs.

### Exposure to foreign exchange fluctuation risk

The company exports its services to various countries around the world. It receives around 75% of its revenues from Asia-pacific and remaining 25% from rest of the world. Majority of the company's foreign currency transactions are denominated in USD. The company does not have any specific hedging policy, however the company being a net forex earner the risk of currency is mitigated via natural hedge.

### Liquidity: Adequate

ASL's liquidity position is adequate with improvement in overall gearing to 0.18x as on March 2022 vis-à-vis 0.48x as on March 2021, giving the company sufficient gearing headroom to raise capital if required. The company achieved Gross Cash Accruals (GCA) of Rs.90.45 crore in FY22. The cash accruals are expected to remain above Rs. 100 crore during FY23 and FY24, which will be sufficient to meet upcoming repayment obligations of Rs.19.16 crore and Rs.21.40 crore respectively.

The company has cash and cash equivalent of around Rs.40.44 crore as on March 31, 2022 which includes Rs.37.64 crore as bank balance in current account. Average cash credit working capital utilization for past twelve months ending on September 2022 is also moderate at 66% and give some liquidity backup.

**Analytical approach:** Consolidated approach as the subsidiaries/Joint Ventures are into same line of business and are operating under the common management.

Sr. No.	Name of Subsidiary/ JV Company	% share shareholding as on March 2022
1	Aurionpro Solutions Pte Limited	100
2	Aurofidel Outsourcing Ltd	100
3	Intellvisions Solutions Private Limited	100
4	SC Soft Technologies Pvt. Ltd	51
5	Integro Technologies Pte. Ltd	100
6	Aurionpro Fintech Inc	100
7	SC Soft Pte Ltd.	51
8	PT Aurionpro Solutions	80
9	Aurionpro Holdings Pte. Ltd	100
10	Aurionpro Payment Solutions Pte Ltd	100
11	Neo BNK Pte Ltd.	100
12	Aurionpro Solutions (Africa) Ltd	50
13	Aurionpro Payment Solutions Pvt Ltd.	100
14	Aurionpro Foundation	100
15	Aurionpro Transit Solutions Pvt Ltd.	86
16	Intellvisions Software LLC	49
17	Integro Technologies SDN BHD	100
18	Integro Technologies Co. Ltd.	100
19	Aurionpro Market Systems Pte Ltd.	100
20	Integrosys Corporation	100
21	Integro Technologies (Vietnam) Limited Liability Company.	100
22	Spike Inc	100
23	Aurionpro Solutions PLC	100
24	Aurionpro Solutions Pty Ltd.	100
25	Extrabox Pte Ltd.	51
26	SC Soft SDN BHD	51
27	Shenzhen SC Trading Co. Limited	51

28	SC Soft INC	51
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### Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

### About the company

Aurionpro Solutions Limited (ASL), incorporated on October 31, 1997 is engaged in the business of providing solutions to corporate banking, treasury, fraud prevention and risk management, internet banking governance and compliance. ASL, which has grown inorganically over the years, is headquartered in Mumbai and operates through its subsidiaries and affiliates mainly in USA, UK, Singapore, Hong Kong, Malaysia, Thailand, Australia and India. ASL provides software products and consulting services primarily to the banking vertical in India and abroad.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	374.02	507.17	301.28
PBILDT	84.05	113.83	68.06
PAT	-117.57	75.57	49.09
Overall gearing (times)	0.48	0.18	NA
Interest coverage (times)	5.32	13.77	16.89

A: Audited; UA: Unaudited; NA: Not available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	12.90	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	99.13	CARE A3+
Term Loan-Long Term		-	-	01-07-2026	33.10	CARE BBB; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Term Loan-Long Term	LT	33.10	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Jan-22)	1)CARE BBB+; Stable (07-Dec-20)	1)CARE BBB+; Stable (07-Oct-19) 2)CARE BBB+; Positive (04-Apr-19)
2	Fund-based-Long Term	LT	12.90	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Jan-22)	1)CARE BBB+; Stable (07-Dec-20)	1)CARE BBB+; Stable (07-Oct-19) 2)CARE BBB+; Positive (04-Apr-19)
3	Non-fund-based - ST-Bank Guarantee	ST	99.13	CARE A3+	-	1)CARE A3+ (03-Jan-22)	1)CARE A3+ (07-Dec-20)	1)CARE A3+ (07-Oct-19) 2)CARE A3+ (04-Apr-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Non-Fund-based-Short Term	Simple
3	Term Loan-Long Term	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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