

Aurionpro Solutions Limited

January 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	43.90 (Reduced from 69.00)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Short Term Bank Facilities	101.23 (Enhanced from 86.34)	CARE A3+ (A Three Plus)	Reaffirmed
Total Bank Facilities	145.13 (Rs. One Hundred Forty-Five Crore and Thirteen Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Aurionpro Solutions Limited (ASL) is on account of reduction in networth due to losses incurred from discontinuing of operations of a subsidiary. Further CARE notes that increasing orders from government entities may elongate the company's operating cycle in medium term.

Ratings continues to derive strength from professionally qualified and experienced promoters and management, well diversified revenue profile across product/service category and across geographies, stable operations with healthy profitability margins and strong order book position.

The above strengths are partially constrained by moderate liquidity position and long collection period, competitive nature of industry and exposure to forex risk.

Rating Sensitivities

Positive Sensitivities

- Improvement in revenue to above Rs, 800 crore PBILDT margin of over 25% on a sustained basis
- Improvement in Return on Capital Employed (ROCE) over 15% on sustained basis
- Improvement in collection days less than 90 days

Negative Sensitivities

- 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.

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 has around 20 years of experience in corporate finance, supply chain, general management, and strategic planning. The Co-Chairman and another co-founder Mr. Amit Sheth, also has more than 20 years of experience in corporate finance, technology etc. along with deep domain expertise in banking operations and cash management. The company is managed by six boards of directors out of which three are independent directors.

Well-diversified revenue profile

The company operates two divisions namely banking & fintech vertical and technology innovation group. ASL is one of the leading players in banking and fintech vertical offering IP based solutions since more than two decades. In the technology solutions group the company offers smart city, smart mobility, and data center offerings. In the banking & fintech vertical the company has leading banks as its clientele base across geographies. Top 10 customers contributed around 46% of the total net sales in FY21. Thus, the revenue is well diversified across product/service category, customer base and geographies.

Stable operational performance and healthy profitability margins albeit marginal decline in revenue in FY21

The total operating income of the company declined by 21.20% y-o-y to Rs.376.16 crore in FY21 as compared to Rs.477.41 crore in FY20, primarily led by decline in revenue from its Banking/Fintech business. The PBILDT margins of ASL continued to remain healthy at 22.91% in FY21 as compared to 20.46% in FY20. However, company registered net losses of 117.57 crore in FY21 on account higher depreciation of Rs.139.39 crore in FY21 as compared to Rs.39.69 crore in FY20. Depreciation was higher on account of accelerated amortization of Rs.105.05 crore charged to unified Depreciation and amortization policy in group. In H1FY22 the total revenue from operations is Rs.239.57 crore as compared to Rs.166.70 crore in H1FY21. The PBILDT margin during H1FY22 is 22.02%.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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

As on September 2021, on consolidated basis ASL had an unexecuted order book of around Rs.630.52 crore, which is 1.67 times TOI of FY21 and provides good medium-term visibility of its revenues. Moreover, the company has achieved a revenue of Rs.239.57 crore in H1FY21.

Key rating weakness

Competitive nature of the industry in which ASL operates:

The industry is highly competitive, marked by the presence of both larger players such as Tata Consultancy Services, Cognizant Technology Solutions, HCL Technologies Limited, Wipro Technologies and numerous smaller players. The continuing global slowdown along with the increase in competition has resulted in price reduction on contract renewal in turn leading to decline in profitability margins. However, the company is currently changing its focus and is discontinuing contracts with low margin clients. Going forward the profitability margins of the company is expected to improve with the company focusing more on high margin clients.

Moderate liquidity position with long collection period

The company has long collection period, it offers credit period of 30 days to 90 days to its client both in India and Rest of the World. However, collection period improved to 114 days in FY21 from 124 days in FY20. The average utilisation of its working capital limits was around 63% for the 12 months ended October 2021, with peak utilisation of around 95% in November 2020. 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 banks. With increasing orders from government entities, the company's operating cycle may elongate in medium term.

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. However, the company does not hedge its foreign exchange fluctuation risk. Hence there is a risk of adverse movement in foreign exchange and its negative impact on profitability margins of the company. However, the company does not report any foreign exchange gain or loss in FY21 as compared to gain of Rs.2.93 crore in FY20.

Liquidity analysis

Adequate

ASL's liquidity position is adequate with overall gearing of 0.48x as on March 2021 and 0.29x as on September 2021, giving the company sufficient gearing headroom to raise capital if required. Cash flow from operation for FY21 is Rs.54.60 crore whereas free cash as of September 2021 is Rs.8.17 crore (consolidated). The cash accruals are expected to be sufficient for meeting term loan repayment obligation for FY22. Average working capital utilization for past twelve months ending on October 2021 is also moderate at 55%.

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

The parent company has provided corporate guarantee for the borrowings availed by the subsidiaries. Further the company also repatriated proceeds from the sale of the US subsidiary.

S.No	Name of Subsidiary Company	% share shareholding as on March 2021
1	Aurionpro Solutions Pte Limited	100
2	Aurionpro Fintech Inc.	100
3	Aurofidel Outsourcing Limited	100
4	PT Aurionpro Solutions	80
5	Intellvisions Solutions Private Limited	100
6	Aurionpro Solutions (Africa) Ltd	50
7	Aurionpro Holding Pte Ltd	100
8	Integro Technologies Pte Ltd.	100
9	SC Soft Technologies Pvt Limited	100
10	Sena Systems Pvt Limited	100

Applicable criteria:

[Policy on default recognition](#)

[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 in USA, UK, Singapore, Hong Kong, Malaysia, Thailand, Bahrain, Australia and India. ASL provides software products and consulting services primarily to the banking vertical in India and abroad.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (Prov)
Total operating income	477.41	376.16	239.57
PBILDT	97.67	86.20	52.77
PAT	34.19	-117.57	33.60
Overall gearing (times)	0.39	0.48	0.29
Interest coverage (times)	5.36	5.46	11.64

A: Audited; Prov-Provisional

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term		-	-	2025	37.00	CARE BBB; Stable
Fund-based-Long Term		-	-	-	6.90	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantees		-	-	-	29.23	CARE A3+
Non-fund-based - ST-Bank Guarantees		-	-	-	52.00	CARE A3+
Non-fund-based - ST-Bank Guarantees		-	-	-	20.00	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Term Loan-Long Term	LT	37.00	CARE BBB; Stable	-	1)CARE BBB+; Stable (07-Dec-20)	1)CARE BBB+; Stable (07-Oct-19) 2)CARE BBB+; Positive (04-Apr-19)	1)CARE BBB+; Positive (10-Apr-18) 2)CARE BBB+; Positive (07-Apr-18)
2	Fund-based-Long Term	LT	6.90	CARE BBB; Stable	-	1)CARE BBB+; Stable (07-Dec-20)	1)CARE BBB+; Stable (07-Oct-19) 2)CARE BBB+; Positive (04-Apr-19)	1)CARE BBB+; Positive (10-Apr-18) 2)CARE BBB+; Positive (07-Apr-18)
3	Non-fund-based - ST-Bank Guarantees	ST	101.23	CARE A3+	-	1)CARE A3+ (07-Dec-20)	1)CARE A3+ (07-Oct-19) 2)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18) 2)CARE A3+ (07-Apr-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / 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	Term Loan-Long Term	Simple
3	Non fund based- Short 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 instrument: CARE Ratings Ltd. 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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