

Aurionpro Solutions Limited

December 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	44.23 (Reduced from 46.00)	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	168.00 (Enhanced from 99.13)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The 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 and comfortable capital structure and coverage indicators. The above strengths are tempered by Aurionpro's moderate scale of operations, stretched 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: Factors likely to lead to rating actions

Positive factors

- Improvement in revenue to above Rs. 1200 crore PBILDT margin of over 25% on a sustained basis
- Improvement in collection days less than 90 days on sustained basis

Negative factors

- Any large sized debt-funded capex, mergers or acquisitions or unrelated diversification resulting in overall gearing over 1x on sustained basis

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 subsidiaries/JV	% of shareholding as on March 31, 2023
1	Aurionpro Solutions Pte Limited	100
2	Integro Technologies Pte Ltd.*	100
3	Aurionpro Fintech Inc.*	100
4	SC Soft Pte Ltd*	90
5	PT Aurionpro Solutions	80
6	Aurionpro Payment Solutions Pte Ltd	100
7	Neo BNK Pte Ltd.	100
8	Aurionpro Solutions (Africa) Ltd	50
9	Aurionpro Technology Solutions Pty Ltd	100
10	Aurofidel Outsourcing Limited	100
11	Intellvisions Solutions private Limited	100
12	SC Soft Technologies Pvt Ltd	100
13	Aurionpro Payment Solutions Pvt Ltd	100
14	Aurionpro Transit Solutions Pvt Ltd	100
15	Aurionpro Foundation (Section 8 Company)	100
16	Aurionpro Toshi Automatic Systems Private limited	100
17	Intellvisions Software LLC, UAE	49

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

Sr. No	Name of subsidiaries/JV	% of shareholding as on March 31, 2023
18	Aurlonpro Middle East for Information Technology Company (Aurionpro MENA)	49

Outlook: Stable

The stable outlook reflects that the company is likely to maintain its steady growth in revenue while continuing its current financial risk profile.

Detailed description of the key rating drivers:**Key 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 two 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 two 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.

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 skewed towards Banking & Fintech industry. Any slowdown in the economy will adversely impact the revenue of the company. Aurionpro's extensive government solutions such as Smart Mobility, Smart City Solution, Centralized Project Management System, Software Development, Digital Twin City, 5D BIM 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 ~54% of the total net sales in FY23, 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 ~30% y-o-y to Rs.659.33 crore in FY23 as compared to Rs.507.17 crore in FY22, primarily led by improvement in Technology Innovation Group (TIG). The Banking and Fintech revenue improved by ~14% and TIG revenue increased by ~55% YoY basis. In H1FY24 ASL reported revenue of Rs 409.85 crores (H1FY23: Rs 300.20 crores).

The PBILDT margins of ASL continued to remain healthy at 22% in FY23 as compared to 22.44% in FY22. In H1FY24 the PBILDT margins was broadly consistent at 21.86% as compared to 22.31% in H1FY23. For ASL, software/hardware cost and employee cost are the major costs which form ~44% and ~46% respectively of the operating total cost.

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

As on September 30, 2023, on a consolidated basis ASL had an unexecuted order book of around ~Rs.900 crore, providing good medium-term visibility of its revenues. Moreover, the company has achieved a revenue of ~Rs 410 crores in H1FY24.

Comfortable and improved capital structure and coverage indicators

The overall gearing ratio of the company remained broadly consistent at 0.22x in FY23 vis-à-vis 0.18x in FY22. PBILDT interest coverage ratio of the company was 13.47x in FY23 (PY: 13.77).

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

IT sector is a manpower-intensive business model. The employee costs constituted nearly 30-35% 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. 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. 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 60-90 days to its client both in India and Rest of the World. Collection period remained stretched at 92 days as compared to 86 days in FY22. The working capital intensity is high, with the GCA of 276 days in FY23 (255 days in FY22). 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 ~85% of its revenues from Asia Pacific and remaining 15% 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 overall gearing being 0.22x as on March 2023, giving the company sufficient gearing headroom to raise capital if required. The company achieved Gross Cash Accruals (GCA) of Rs.115.48 crore in FY23. The cash accruals are expected to be ~Rs. 144 crore and ~Rs 168 crores during FY24 and FY25 respectively, which will be sufficient to meet upcoming repayment obligations of Rs.19.63 crore in FY24 and Rs.14.47 crore in FY25 respectively. As on March 31,2023 ASL had cash and bank balance of Rs 24.25 crores in addition to the fixed deposits of Rs 18.55 crores held as margin money. The average cash credit working capital utilization for past twelve months ending on October 2023 was ~97%.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

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 and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	290.08	420.46	409.85
PBILDT	48.77	60.51	89.60
PAT	26.38	38.61	65.58
Overall gearing (times)	0.19	0.25	-
Interest coverage (times)	7.57	7.09	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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: Annexure-4

Lender details: Annexure-5

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		-	-	-	22.90	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	96.00	CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	52.00	CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A3+
Term Loan-Long Term		-	-	FY26	21.33	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 2023-2024	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
1	Term Loan-Long Term	LT	21.33	CARE BBB; Stable	-	1)CARE BBB; Stable (02-Dec-22)	1)CARE BBB; Stable (03-Jan-22)	1)CARE BBB+; Stable (07-Dec-20)
2	Fund-based-Long Term	LT	22.90	CARE BBB; Stable	-	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB+; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
						(02-Dec-22)	(03-Jan-22)	(07-Dec-20)
3	Non-fund-based - ST-Bank Guarantee	ST	96.00	CARE A3+	-	1)CARE A3+ (02-Dec-22)	1)CARE A3+ (03-Jan-22)	1)CARE A3+ (07-Dec-20)
4	Non-fund-based - ST-Bank Guarantee	ST	52.00	CARE A3+	-	1)CARE A3+ (02-Dec-22)	1)CARE A3+ (03-Jan-22)	-
5	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A3+	-	1)CARE A3+ (02-Dec-22)	1)CARE A3+ (03-Jan-22)	1)CARE A3+ (07-Dec-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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.

Contact us

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About us:

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