FEBRUARY 09, 2016

# CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF 24/7CUSTOMER PRIVATE LIMITED

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long term Bank Facilities | 47.50 | **CARE BBB+ [Triple B Plus]** | Reaffirmed |
| Short term Bank Facilities | 102.00 | **CARE A3+ [A Three Plus]** | Reaffirmed |
| **Total Facilities** | **149.50 (Rupees One Hundred Forty Nine crore and Fifty lakh only)** | | |

## Rating Rationale

*The ratings assigned to the bank facilities of 24/7Customer Pvt Ltd ([24]7) continue to derive strength from established track record of its parent company - 24/7Customer Inc., USA (24/7USA) in the (Business Process Outsourcing) BPO segment, diversified client base of 24/7USA, consistent growth in income, successful completion of the capex and healthy capital structure with no term debt obligations.*

*The ratings are, however, constrained by its business dependence on the performance of the 24/7USA, foreign exchange fluctuation risk, regional concentration, ongoing dispute with tax authorities regarding certain tax liabilities, high attrition rates and intense competition in the BPO industry.*

*The regular flow of business from the sole customer - 24/7Customer Inc. and ability of the company to maintain its healthy capital structure are the key rating sensitivities. At the same time, developments with regards to on-going litigation with the tax authorities remain crucial from the credit perspective.*

## *Background*

Incorporated on March 22, 2000, [24]7, is a wholly owned subsidiary of 24/7Customer Inc., USA (24/7USA).

24/7USA, incorporated in the April 2000, is promoted by Mr P V Kannan and Mr Shanmugam Nagarajan. In 2003, 24/7USA was privately funded in part by Mr Michael Moritz and his venture capital firm Sequoia Capital. The total venture funding was estimated at about USD 22 million. This company is headquartered in Campbell, California and provides cloud-based customer engagement

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

solutions through its 6 back office units (BPO/KPO) two of which are located in India (Bangalore & Hyderabad), two in Philippines and one each in Guatemala and Nicaragua. The firm caters to several reputed MNCs in the fields of financial services, retail, telecommunications, technology, and travel industries.

24/7began its operations by providing call centre services to customers of 24/7USA, and has subsequently migrated to servicing of customers through various interactive platforms such as IVR, chat and email. The company is a 100% export oriented unit (EOU) operating from Bangalore and Hyderabad with an aggregate employee strength of about 5000. The billing by 24/7is done to 24/7USA on a cost plus basis.

24/7registered total operating income of Rs.361.03 crore and PAT of Rs.40.03 crore in FY15 (refers to the period April 1 to March 31) as against operating income of Rs.307.34 crore and PAT of Rs.28.80 crore in FY14.

**Analyst Contact**

Name: Mr. Rushabh Doshi
Tel: 080-46625554
Email: rushabh.doshi@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

## CONTACT

**Head Office Mumbai**

**Mr. Sanjay Kumar Agarwal**
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

**Mr. Amod Khanorkar**
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD**
**Mr. Mehul Pandya**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

**BENGALURU**
**Mr. Dinesh Sharma**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

**CHANDIGARH**
**Mr. Sajan Goyal**
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

**COIMBATORE**
**Mr. V Pradeep Kumar**
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Saikat Roy**
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

**JAIPUR**
**Mr. Rakesh Jayaraman**
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr. Rahul Patni**
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691