APRIL 28, 2015

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

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long term Bank Facilities | 47.5 (enhanced from Rs 44.5 crores) | CARE BBB+ (Triple B Plus) | Reaffirmed |
| Short term Bank Facilities | 2.0 | CARE A3 + (A Three Plus) | Reaffirmed |
| Long/Short-term Bank Facilities | 100.0 (enhanced from Rs 45.0 crores) | CARE BBB+/A3+ (Triple B Plus/ A Three Plus) | Reaffirmed |
| **Total Facilities** | **149.5** | | |

**Rating Rationale**

The ratings of the bank facilities of 24/7 Customer Private Ltd (24/7 Customer) continue to draw strength from the 24/7 Customer being a part of a group with established track record in the Business Process Outsourcing (BPO) segment operating globally, diversified clientele base of the parent from where 24/7 Customer derives its revenue and healthy financial risk profile as evidenced in virtually debt-free status, consistent growth in revenue and cash accruals. Rating also takes note of the growth in sales and profit in 9MFY15 and the significant capex plan which is expected to be entirely financed out of existing cash balance and internal accruals limiting the risk involved. The rating strengths are, however, offset by the average scale of operation, revenue concentration to few geographies, weak business environment in its key markets, significant capex plan, vulnerability to foreign exchange fluctuation and intense competition in the BPO segment.

The ability of the company to sustain healthy financial risk profile, diversify its geographic presence and impact of any adverse ruling in the ongoing litigation with tax authorities are the key rating sensitivities.

**Background**

24/7 Customer, incorporated on March 22, 2000, is a wholly-owned subsidiary of 24/7 Custo-mer Inc., USA (24/7 USA). 24/7 USA, incorporated in the year 2000, was promoted by Mr P V Kannan and Mr Shanmugam Nagarajan and was later joined (by virtue of funding) by Mr Mike Moritz, a partner at the Venture Capital (VC) firm Sequoia Capital and a former member of the Board of Directors of Google Inc. 24/7 Customer began its operations by providing call centre services to customers of 24/7 USA, and subsequently, diversified into servicing of customers through chat and email. 24/7 Customer is a 100% export-oriented unit (EOU). Presently, the company renders its services from two locations in India, namely, Bangalore and Hyderabad with an aggregate employee strength of about 4,410.

For the 9MFY15, the company reported a PAT of Rs.25.2 crore on a total income of Rs.250.4 crore.

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

****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.

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