DECEMBER 16, 2014

CARE REAFFIRMED RATINGS ASSIGNED TO BANK FACILITIES OF 24/7 CUSTOMER PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	44.5	**CARE BBB+ (Triple B Plus)**	Reaffirmed
Short term Bank Facilities	47.0	**CARE A3+ (A Three Plus)**	Reaffirmed
Total Facilities	**91.5**		

Rating Rationale

The ratings 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. The ratings also takes note of 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, 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 Private Ltd (24/7 Customer), incorporated on March 22, 2000, is a wholly-owned subsidiary of 24/7 Customer 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.

During FY14, 24/7 Customer registered a PAT (after deferred tax) of Rs.28.8 crore (as against a PAT of Rs.15.3 crore during FY13) on a total operating income of Rs.299.3 crore (Rs.265.9 crore during FY13). For the H1FY15, the company reported a PAT of Rs.18.3 crore on a total income of Rs.161.7 crore.

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

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

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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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CIN - L67190MH1993PLC071691