JANUARY 13, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ACCEL FRONTLINE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1] :	Remarks
Long-term Bank Facilities	54.00 (reduced from 73.00)	CARE BB+ (Double B Plus)	Revised from CARE BB (Double B)
Short-term Bank Facilities	55.50 (reduced from 93.00)	CARE A4+ (A four Plus)	Revised from CARE A4 (A Four)
Total	109.50		

Rating Rationale

The improvement in the ratings of Accel Frontline Ltd (AFL) takes into account the infusion of funds and operational synergies from CAC Corporation the majority stakeholder in the company and marginal improvement in the liquidity position of the company. The ratings continue to be constrained by the highly competitive nature of industry, concentration of revenues with few clients and elongated working capital cycle.

The ratings derive strength from the established track record of operations and strong relationship with numerous vendors.

Going forward, the ability of the company to improve the profitability, ensuring timely realization of receivables as well as prudently manage its working capital requirements would also be the key rating sensitivities.

Background

AFL is an IT services company with predominant focus in the IT infrastructure and IT infrastructure management segment. AFL operates under three divisions namely, IT Infrastructure Solutions (IT IS), IT Infrastructure Management Services (IT IMS) and Enterprise Software Solutions (ESS). The IT IS division is engaged in system integration wherein AFL provides IT products and solutions of major technology companies backed by lifecycle support. AFL's deliverables would involve complete system integration. IT IMS the company is involved in facility management services Help desk services and managed services.

ESS division is small and has few products in its portfolio apart from possessing reseller license for some enterprise solutions. AFL also has a fourth division, Warranty Management Services (WMS), through which AFL provides repair and services for third-party products.

AFL was originally incorporated in 1991 by Mr. N. R. Panicker along with a few other associates. BT Frontline Pte, Singapore (BT), was holding 51% stake in AFL which was entirely divested in August 2011 in favour of the Accel group. Post exit of BT, AFL has been engaged in restructuring its businesses and merged few group companies with itself. During January 2014, CAC Corporation, Japan, acquired 51% stake in AFL through share purchase from the promoters and through open offer. As on March 31, 2014, CAC held 60.95% of the shares of AFL. CAC infused Rs.25 crore as equity during FY14 (refers to the period April 1 to March 31) by subscribing to additional issue of shares.

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

For the year ended FY14, the company earned a PAT of Rs.2 crore on a total income of Rs.297 crore as against the PAT of Rs.3 crore on a total income of Rs.329 crore in FY13. During H1FY15 the company registered a PAT of 3 crore on a total operating income of Rs.162 crore.

Analyst Contact

Name: Narrmatha P

Tel: 044-28490811
Email: narrmatha.p@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.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@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

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

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

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

JAIPUR
Mr. Harsh Raj Sankhla
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@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

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