

JUNE 01, 2016

CARE PLACES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ACCEL FRONTLINE LIMITED ON 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	54.00	CARE BB+ (Double B Plus) (Credit watch)	Placed on credit watch
Short-term Bank Facilities	52.50	CARE A4+ (A Four Plus) (Credit watch)	Placed on credit watch
Total Facilities	106.50 (Rupees One Hundred and Six Crore and Fifty Lakhs Only)		

Rating Rationale

The ratings of Accel Frontline Limited (AFL) have been placed under 'credit watch' in view of the extension of time sought by the company from Securities and Exchange Board of India (SEBI) for adoption of the audited financial results for the year ended March 31, 2016, following a report from an independent auditor on the receivables and clarifications and confirmations sought by the statutory auditors.

CARE is in discussion with the company and is closely monitoring the developments in this regard and will take a view on the ratings once the implications of the above on the overall credit profile of AFL are clear.

Background

Chennai-based AFL is engaged in providing IT infrastructure and Software services. AFL operates under 4 different verticals, viz. System Integration (IT SI), Infrastructure Management Services (IT IMS), Software Services (SS) and Warranty Management Services (WMS).

AFL was originally incorporated in 1991 by Mr N R Panicker along with a few other associates. During January 2014, CAC Corporation, Japan acquired 51% stake in AFL through share purchase from promoters and through open offer. As on March 31, 2016 CAC held 60% stake in AFL, while 15% is held by original promoters (Accel Limited – 14.38% and Accel Systems Group Inc. – 0.62%) and the remaining 25% is held by public. Though CAC acquired majority stake in ACL in January 2014, the day to day management of the firm remained with the erstwhile promoters led by Mr N R Panicker. Mr

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

Panicker, continued to be the Executive Chairman of the company till March 20, 2016 and was suspended from the post on that date by the board. He continued to be a director till March 31 2016 when his term ended and he ceased to be a director.

During December 2015, the company had appointed “Deloitte Touche Tohmatsu India LLP”, as an independent auditor to examine the quality of bills receivable of the company for the 3 year period ended March 31, 2015. On May 23, 2016 AFL informed BSE that the board meeting scheduled for May 24, 2016, inter alia, to consider and approve the Audited Financial Results as at March 31, 2016 has been postponed till further notice and also had requested the exchanges for extension of time till August 31, 2016 for adopting the Audited Financial Results for the year ended March 31, 2016 in view of the report submitted by independent auditor and the clarifications and confirmations requested by the statutory auditors.

For the year ended FY15 (refers to the period April 01 to March 31), on a standalone basis, the company reported a net loss of Rs.7.45 crore on a total income of Rs. 342.07 crore. During 9MFY16 (refers to the period April 01 to December 31), on a standalone basis, the company registered a loss of Rs.48.53 crore on a total operating income of Rs.227.87 crore.

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****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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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