

November 27, 2015

CARE REAFFIRMS 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	CARE BB+ (Double B Plus)	Reaffirmed
Short term Bank Facilities	52.50 (reduced from 55.50)	CARE A4+ (A Four Plus)	Reaffirmed
Total Facilities	106.50 (Rupees One Hundred Six crore and Fifty lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Accel Frontline Limited (AFL) continue to be constrained by the elongated working capital cycle of the company, concentration of revenues with few clients and highly competitive nature of the IT industry. The ratings also factor in the decline in the revenues of AFL, losses for FY15 (refers to the period April 1 to March 31) and H1FY16 (refers to the period April 1 to September 30). However, the ratings derive strength from the established track record of operations of AFL, the company's strong relationship with multiple vendors and operational & financial support derived from parent

Going forward, the ability of the company to increase its revenues operating under the new management, post profits and realise its receivables in a timely manner enabling prudent working capital utilisation will be key rating sensitivities.

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 September 30, 2015, CAC held 60% of the shares of AFL, while the original promoters hold 15% and the remaining 25% is held by general public.

For the year ended FY15, the company reported a net loss of Rs.7.45 crore on a total income of Rs.342.07 crore as against PAT of Rs.2.45 crore on a total income of Rs.296.80 crore in FY14. During H1FY16, the company registered a loss of Rs.27.31 crore on a total operating income of Rs.137.96 crore.

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

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

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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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