FEBRUARY 22, 2016

CARE REAFFIRMS AND PLACES UNDER CREDIT WATCH RATINGS ASSIGNED TO BANK FACILITIES OF AXISCADES ENGINEERING TECHNOLOGIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	0.92 (5.00)	**CARE BBB+ under credit watch (Triple B Plus))**	**Reaffirmed and rating put under credit watch**
Long-term-Non-fund-based-Bank Guarantee	0.95 (0.95)	**CARE BBB+ under credit watch (Triple B Plus)**	**Reaffirmed and rating put under credit watch**
Long-term/Short-term- Bank Facilities-CC/Packing Credit	35.00 (35.00)	**CARE BBB+ /CARE A3+under credit watch (Triple B Plus/Single A Three Plus)**	**Reaffirmed and rating put under credit watch**
Total Facilities	**36.87 (Rupees Thirty Six crore and Eighty Seven lakh only)**		

Rating Rationale

The above ratings have been placed under 'Credit watch', in view of the proposed acquisition of Axiscades Aerospace & Technologies Private Limited (ACATL) by way of Scheme of Amalgamation of India Aviation Training Institute Pvt. Ltd. (IAT, holding company of ACATL) with Axiscades Engineering Technologies Ltd (AETL).CARE would take appropriate view on the ratings, once the exact implications of the above event are clear.

The rating of AETL continues to draw strength from strong parentage, established operational track record with fair diversification across various sectors and geographies, favourable financial risk profile of the company marked by consistent growth in top line, improving margins and comfortable capital structure. The ratings also factor in the satisfactory project execution capability and satisfactory order book position demonstrating a medium-term revenue visibility.

These rating strengths are offset by exposure to foreign currency fluctuation risk, customer concentration risk and intense competition in the IT industry.

Background

Axiscades Engineering Technologies Limited (AETL), incorporated in August 1990 as IT&T Enterprises Pvt Ltd (IEPL) initially commenced with BPO activities. Subsequently, it shifted to Engineering Design Services (EDS) upon acquisition of Axis Inc, a company engaged in such services, in the year 2003. Axis Inc was merged into IEPL, which was thereupon renamed as Axis IT&T Ltd (AITL) in the year 2005. Furthermore, upon merger with its subsidiary Cades Digitech Pvt Ltd in May 2014, the combined entity was rechristened AETL.

The company has been servicing four verticals – Aerospace, Heavy engineering, Automobile &Industrial products and Renewable Energy and are strengthening their capabilities in these activities. The company's clients include several Fortune 500 companies in the Aerospace, Aviation, Automotive, Manufacturing, Military, Semiconductor and Medical industries. AETL has an employee base of more than 1500 engineers located over the globe, serving diverse industries,

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

with specialized teams that work on-site or offshore to cater to the specific requirements of clients. All the engineering centers of AETL in India are ISO 9001:2008 certified.

The current promoter, Mr Rajeev Chandrasekhar, acquired the controlling stake in AETL in the year 2008 through Tayana Digital Private Ltd (TDPL), a step down subsidiary, of his flagship company, Jupiter Capital Advisers Pvt. Ltd (JCAPL) and Indian Aero Ventures Pvt. Ltd. JCAPL is the investment company of the group having interest in development of technology, aviation, infrastructure, hospitality, media and entertainment ventures.

AETL proposes to acquire a technology company in Aerospace and Defence Sector i.e. Axiscades Aerospace & Technologies Private Ltd. (ACATL), fellow subsidiary, by way of Scheme of Amalgamation of India Aviation Training Institute Pvt. Ltd. (IAT, holding company of ACATL) with itself. The proposed acquisition is pending approvals of stock exchanges, jurisdictional high courts, shareholder's approval, consent of secured creditors and other regulatory approvals.

During FY15, AETL (Consol) registered a PAT of Rs.19.8 crore (FY 14:Rs.16 crore on total income of Rs.317.6 crore (FY14: Rs.309.5 crore). During H1FY16, AETL (Consolidated) made a PAT of Rs.13.5 crore on a total income of Rs.181.9 crore.

Analyst Contact
Name: Mr Karthik Raj K
Tel: 080-46625527
Cell: 998056224
Email: karthik.raj@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. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@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

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

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rakesh Jayaraman
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 76655 96136
Tel: +91-141-402 0213 / 14
E-mail: rakesh.jayaraman@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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