

APRIL 14, 2015

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF AXISCADES ENGINEERING TECHNOLOGIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Non-fund-based	0.95 (enhanced from 0.40)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB- (Triple B Minus)
Long-term Bank Facilities – Term Loan	5.00	CARE BBB+ (Triple B Plus)	Assigned
Long/Short-term Bank Facilities – Fund-based	35.00 (enhanced from 10.25)	CARE BBB+/CARE A3+ (Triple B Plus/A Three Plus)	Revised from CARE BBB- /CARE A3 (Triple B Minus/A Three)

Rating Rationale

The revision in the ratings factors in the improvement in financial risk profile of Axiscades Engineering Technologies Ltd (AETL) marked by consistent income & profit growth and reduction in debt levels and considerable reduction in exposure to group companies. The ratings continue to derive strength from the long track record and experienced management team of AETL, strong parentage and strong growth prospects for the industry. The ratings also factor in the satisfactory project execution capability, impressive client profile across geography and satisfactory order book position demonstrating a medium-term revenue visibility.

These rating strengths are partially offset by the relatively low profitability margin, mid-sized scale of operation, intense competition, customer concentration risk and exposure to foreign currency fluctuation risk.

The ability to enhance the scale of business coupled with expansion in the client base and improvement in profitability margins would be the key rating sensitivity.

Background

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.

EDS involves delivering design based solutions to global engineering majors. AETL has four delivery centres in India (at Noida, Hyderabad, Chennai & Bangalore) of which the delivery centre in Noida is registered as an STP (Software Technology Park) unit (the registration bestows significant benefits to the unit). Apart from this, the company has presence in America and Europe through its overseas subsidiaries. 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 1525 engineers located over the globe, serving diverse industries, 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.

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

During FY14 (refers to the period April 1 to March 31), AETL (consolidated) registered a PAT of Rs.16.0 crore (FY13: Rs.14.6 crore) on total income of Rs.309.8 crore (FY13: Rs.286.5 crore). During 9MFY15, AETL (consolidated) made a PAT of Rs.13.9 crore on total income of Rs.234.6 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.

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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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