

**Aurionpro Solutions Limited**  
 October 07, 2019

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	88.62 (increased from 52.84)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB+; Positive (Triple B Plus; Outlook: Positive)
Short Term Bank Facilities	109.34 (reduced from 112.00)	CARE A3+ (A Three Plus)	Reaffirmed
<b>Total</b>	<b>197.96</b> <b>(Rupees One Hundred Ninety Seven crore and Ninety Six Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Aurionpro Solutions Limited (ASL) continue to derive strength from ASL's experienced and professionally qualified promoters and management, geographically diversified revenue profile albeit exposed to customer and segment concentration risk, healthy operational performance.

The ratings, however continue, to be constrained by long collection period leading to moderate liquidity position, exposure to foreign exchange fluctuation risk and competitive nature of the industry. The ratings also factor in the increase in the debt leading to deterioration in the capital structure.

Timely realization of receivables and ability of the company to improve its profitability margins going ahead remain the key rating sensitivities. Further, any large sized debt-funded capex, mergers or acquisitions or unrelated diversification adversely impacting the capital structure would be crucial from the credit perspective.

Outlook: Stable

CARE has revised the outlook from 'Positive' to 'Stable' on account of increase in external debt mainly to fund projects.

**Detail description of the key rating drivers****Key Rating Strengths****Professionally qualified and experienced promoters**

ASL has a qualified promoter and management team with a significant track-record in the IT and banking industry. The Chairman of the board and co-founder of the company Mr. Paresh Zaveri holds a degree in engineering and MBA in finance. He has around 20 years of experience in corporate finance, supply chain, general management, and strategic planning. The Managing Director and another co-founder Mr. Amit Seth, also an engineering graduate and an MBA in finance, has more than 18 years of experience in corporate finance, technology etc. along with domain expertise in banking operations and cash management.

**Geographically well-diversified revenue profile albeit exposed to customer and segment concentration risk**

The company with its domain expertise in areas of cyber security, customer experience and transaction banking etc. helps clients in banking vertical maintain their process and data securely and efficiently. However, the revenue of the company is concentrated mostly in Banking & Fintech (contributing 28% of the total revenue) and Government (contributing 36% of the total revenue). Globally, India have been the main source of revenues for ASL. Any slowdown in the economy will adversely impact the revenue of the company. ASL has been able to diversify its customer base within the industry as well as on the global level. However, top 10 customers contribute around 54% of the total net sales in FY19, thereby making it susceptible to client concentration risk. However, the company has a long-standing relationship with its top clients and was able to get repeat business from them over the years.

**Healthy operational performance**

The total operating of the company grew by 25% to Rs.529.13 crore in FY19 as compared to Rs.422.30 crore in FY18. The growth in revenue was mostly on the back of new order wins across verticals, strong execution and completion of

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

projects. The PBILDT level and PBILDT margin also improved significantly to Rs.127.73 crore and 24.14% respectively in FY19. The improvement in the operating margin during FY19 was mostly on account of improved total revenue coupled with efficient handling of operating expense through lower employee cost, power expense and savings in the inventory. The PAT margin improved to Rs.60.72 crore in FY19 as compared to Rs.37.89 crore in FY18 on account of higher PBILDT level and lower fixed charges.

In Q1FY20 the total revenue from operations declined by 3.70% y-o-y to Rs.118.61 crore as compared to Rs.123.17 crore in Q1FY19 primarily due to government as well as public sector being on a standby mode due to elections in India coupled with lower transitional pass through revenue pertaining to the divested Identity and access management (IAM) business (cyber security solutions). The revenue from government and public sector was around 35% in Q1FY20. The PBILDT level and margin deteriorated marginally to 21.43% during Q1FY20 on yearly basis. The deterioration in PBILDT margin in Q1FY20 was mostly on account of lower net sales coupled with lower expenses

### Key Rating Weaknesses

#### ***Increase in borrowings leading to deterioration in the capital structure***

The debt increased from Rs.73.19 crore as on March 31, 2018 to Rs.114.64 crore as on March 31, 2019, mainly on account of increase in term loans from banks and financial institutions to fund Noida Metro Rail projects (around Rs. 60 crore) and the ISLA software through Cyberinc Corporation Inc. (CCI; a US subsidiary of ASL) (around Rs.45-50 crore). Accordingly the overall gearing deteriorated from 0.26x as on March 31, 2018 to 0.37x as on March 31, 2019, but remained comfortable. The company has also bought back 7,23,722 shares from the open market spending Rs.8.93 crore as on September 24, 2019 out of total Rs.20 crore earmarked for the buyback. Further, the TD/GCA ratio deteriorated from 0.53x in FY18 to 1.27x in FY19 due to increase in the total debt. Although the interest coverage ratio improved from 5.99 times in FY18 to 10.72 times in FY19 on account of improved PBILDT levels, it has moderated to 5.10 times in Q1FY20. The management has confirmed that the debt levels have come down to Rs.83.90 crore as on June 30, 2019.

***Any large sized debt-funded capex, mergers or acquisitions or unrelated diversification adversely impacting the capital structure would be crucial from the credit perspective.***

#### ***Moderate liquidity position with long collection period***

The company has long operating cycle, although improved in FY18, mainly on account of its stretched receivable cycle. The company offers credit period of 30 days to 90 days to its clients, both in India and Rest of the World. The receivables cycle stretched to 112 days in FY19 from 105 days in FY18 on account of non-receipt of payment from a few debtors for which invoice was raised during Q4FY19. However, as confirmed by the management the customers of ASL being frontline banks/FIs, the payment is assured. The average utilisation of its working capital limits was around 76% in the 12 months ended July 2019, with peak utilisation of around 89% in February 2019. The cash balance stood at Rs.58.81 crore as on March 31, 2019 and current ratio at 1.35x as on March 31, 2019.

#### ***Intense competition affecting margins***

The industry is highly competitive, marked by the presence of both larger and smaller size players. The continuing global slowdown along with the increase in competition has resulted in price reduction on contract renewal in turn leading to decline in profitability margins. However, the company is currently changing its focus and is discontinuing contracts with low margin clients. Going forward the profitability margins of the company is expected to improve with the company focusing more on high margin clients.

#### ***Exposure to foreign exchange fluctuation risk***

On a consolidated basis, the company is the net exporter. Around 45% of the revenue of the company is in dollars from its US subsidiaries and subsidiaries in other parts of the world. The company earned forex gain of Rs.0.47 crore in FY19 as compared to the forex gain of Rs.0.56 crore in FY18.

#### **Liquidity Indicator: Adequate**

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as on March 31, 2019 and current ratio at 1.35x as on March 31, 2019. Its capex requirements are modular and expected to be funded using debt.

**Analytical approach:** Consolidated approach as the subsidiaries/ Joint Ventures are into same line of business and are operating under the common management. Following subsidiaries and joint ventures have been considered while taking consolidated approach:

Sl. No.	Name of the Company	% of Holding as on March 31, 2019
	<b><u>Subsidiaries</u></b>	
1.	Aurofidel Outsourcing Limited	100.00
2.	Intellvisions Solutions Private Limited	100.00
3.	Servopt Consulting Private Limited	100.00
4.	AurionPro Solutions Pte. Limited	100.00
5.	PT Aurionpro Solutions, Indonesia	80.00
6.	Cyber Inc Corporation	80.66
7.	AurionPro Fintech Inc	100.00
8.	Aurionpro Solutions (Africa) Limited	50.00
	<b><u>Joint Venture</u></b>	
9.	Intellvisions Software LLC, UAE	49.00
10.	Intellvisions Security & Surveillance	49.00

#### Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Service Sector Companies](#)

#### About The Company

Aurionpro Solutions Limited (ASL), incorporated on October 31, 1997 is engaged in the business of providing solutions to corporate banking, treasury, fraud prevention and risk management, internet banking governance and compliance. ASL, which has grown inorganically over the years, is headquartered in Mumbai and operates through its subsidiaries and affiliates in USA, UK, Singapore, Hong Kong, Malaysia, Thailand, Bahrain, Australia and India. ASL provides software products and consulting services primarily to the banking vertical in India and abroad. It also provides self-serving technologies which enables financial institutions, utility, telecom and government organization to migrate, automate and manage customer facing business process to self- service channels through its core business verticals namely Enterprise Security, Banking and Fintech, Interactive Customer Communication and Supply chain solutions.

Brief Financials (Rs. crore)-Consolidated	FY18 (A)	FY19 (A)
Total operating income	422.30	529.13
PBILDT	83.71	127.73
PAT	114.25	60.72
Overall gearing (times)	0.26	0.37
Interest coverage (times)	5.99	10.72

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

## Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	-	December 2025	70.72	CARE BBB+; Stable
Fund-based-Long Term	-	-	-	-	16.00	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	-	100.00	CARE A3+
Fund-based - ST-Bank Overdraft	-	-	-	-	1.90	CARE A3+
Fund-based-Short Term	-	-	-	March 2020	9.34	CARE A3+

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Term Loan-Long Term	LT	70.72	CARE BBB+; Stable	1)CARE BBB+; Positive (04-Apr-19)	1)CARE BBB+; Positive (10-Apr-18) 2)CARE BBB+; Positive (07-Apr-18)	1)CARE BBB; Stable (11-Apr-17)	1)CARE BBB- (19-Apr-16)
2.	Fund-based-Long Term	LT	16.00	CARE BBB+; Stable	1)CARE BBB+; Positive (04-Apr-19)	1)CARE BBB+; Positive (10-Apr-18) 2)CARE BBB+; Positive (07-Apr-18)	1)CARE BBB; Stable (11-Apr-17)	1)CARE BBB- (19-Apr-16)
3.	Non-fund-based-Short Term	ST	100.00	CARE A3+	1)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18) 2)CARE A3+ (07-Apr-18)	1)CARE A3 (11-Apr-17)	1)CARE A3 (19-Apr-16)
4.	Fund-based - ST-Bank Overdraft	ST	1.90	CARE A3+	1)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18) 2)CARE A3+ (07-Apr-18)	1)CARE A3 (11-Apr-17)	1)CARE A3 (19-Apr-16)
5.	Fund-based-Short Term	ST	9.34	CARE A3+	1)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18)	1)CARE A3 (11-Apr-17)	1)CARE A3 (19-Apr-16)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
						2)CARE A3+ (07-Apr-18)		

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### About CARE Ratings:

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