

Aurionpro Solutions Limited

December 07, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	69.00 (Reduced from 86.72)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	86.34 (Reduced from 111.24)	CARE A3+ (A Three Plus)	Reaffirmed
Total Bank Facilities	155.34 (Rs. One Hundred Fifty-Five Crore and Thirty-Four Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Aurionpro Solutions Limited (ASL) continues to derive strength from professionally qualified and experienced promoters, geographically well-diversified revenue profile albeit exposed to customer and segment concentration risk, stable operating performance; albeit marginal decline in revenue and PBILDT margin in FY20 (FY refers to the period April 1 to March 31). The ratings also favourably factors in the healthy order book position providing revenue visibility in the near to medium term.

The above strengths are tempered by long collection period, exposure to foreign exchange fluctuation risk and competitive nature of the industry. The rating also factors in the increase in the debt leading to deterioration in the capital structure.

Rating Sensitivities***Positive Factors***

- Improvement in PBILDT margin of over 25% on a sustained basis
- Improvement in Return on Capital Employed (ROCE) over 15% on sustained basis
- Improvement in collection days less than 90 days

Negative Factors

- Any large sized debt-funded capex, mergers or acquisitions or unrelated diversification resulting in *overall gearing over unity on sustained basis.*
- *Average collection days deteriorating over 120 days on a sustained basis.*

Detailed 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 more than 20 years of experience in corporate finance, supply chain, general management, and strategic planning. The Co-Chairman and another co-founder Mr. Amit Sheth, also an engineering graduate and an Postgraduate in finance, has more than 20 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 verticals to maintain their process and data securely and efficiently. However, the revenue of the company is concentrated mostly in Banking & Fintech (contributing 69% of the total revenue). ASL has been able to diversify its customer base within the industry as well as on the global level. The customer profile includes reputed names such as State Bank of India, Bharat Electronics Ltd, Axis Bank Ltd, Kotak Mahindra Bank Ltd, HDFC Bank Ltd and many reputed private and public sector companies. Top 10 customers contribute around 51% of the total net sales in FY20, thereby making it susceptible to client concentration risk. However, comfort is drawn from the fact that the company has a long and established relations with its clients and has been able to get repeat orders from them over the years. Further ASL's revenue profile is well diversified geographically. Over the years Asia-Pacific has been the main source of revenue. During FY20, ASL has reduced its dependence on Asia-Pacific market by increasing the share of revenue from rest of the world to 25% (vs. 17% in FY19).

Stable Operating performance albeit marginal decline in revenue and PBILDT margin in FY20

The total operating income of the company declined by 13% to Rs.462.67 crore in FY20 as compared to Rs.529.13 crore in FY19 primarily led by decline in revenue from its Smart City & Mobility business as multiple events took place during the year like the postponement of government projects due to the general elections followed by new government formation along with disruptions due to COVID-19. In FY20, Revenues excluding Smart City and Mobility grew by 9% to Rs. 362 crore from Rs. 331.8 crore in FY19. The Banking and Fintech grew 13.4% YoY. ASL's clientele in this space includes large PSU banks. The consolidation at PSU banks had slowed down the new business in this segment and the banking sector in general has been facing headwinds, despite which segment registered a growth. The PBILDT margins continued to remain healthy; albeit marginal decline witnessed during FY20. The PAT in absolute terms declined to Rs.31.69 crore in FY20 as compared to Rs.60.72 crore in FY19 on account of lower PBILDT level and higher fixed charges.

In H1FY21 the total revenue from operations declined by 31.84% y-o-y to Rs.166.70 crore as compared to Rs.244.56 crore in H1FY20 primarily due to disruptions caused globally due to the COVID-19 pandemic in H1FY21. The Smart city & smart mobility segments were severely impacted amid the stringent lockdown imposed across the globe since Q4FY20. However, the PBILDT margin improved by 72 bps during H1FY21 on a YoY basis.

Healthy order book position, providing revenue visibility in the medium term

As on October 31, 2020 on a consolidated basis ASL had an unexecuted order book of around Rs.446.52 crore which is 0.97 times TOI of FY20 and provides good medium term visibility of its revenues. Moreover, the company has achieved revenue of Rs.164.39 crore in H1FY21.

Key Rating Weaknesses**Increase in borrowings leading to deterioration in the capital structure**

The debt increased from Rs.114.64 crore as on March 31, 2019 to Rs.154.24 crore as on March 31, 2020, mainly on account of increase in term loans from banks and financial institutions for funding Nagpur metro railway project and also due to increase in lease liabilities to Rs.24.65 crore as on March 31, 2020 (as compared to nil as on March 31, 2019). The overall gearing although deteriorated marginally, however, continued to remain at comfortable levels of 0.39x as on March 31, 2020 (as compared to 0.37x as on March 31, 2019). The other financial metrics like debt equity ratio were also comfortable at 0.29x as on March 31, 2020 (as compared to 0.26x as on March 31, 2019), whereas TOL/TNW has improved from 1.21x in FY19 to 0.86x in FY20 primarily on account of decrease in trade payables. The interest coverage ratio of the company declined from 10.72x in FY19 to 5.35x in FY20 on account of decline in PBILDT in absolute terms and higher finance costs, it further declined to 4.68x during H1FY21. Further, the TD/GCA ratio deteriorated from 1.27x in FY19 to 2.13x in FY20 due to increase in the total debt. Although the Overall gearing, Debt equity ratio, TD/GCA ratio and Interest coverage deteriorated during FY20, but they remained comfortable. During FY20, the company has bought back 8,36,136 shares from the open market spending Rs.10.15 crore out of total Rs.20 crore earmarked for the buyback.

Long collection period

The company has long collection period, as it 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 128 days in FY20 from 110 days in FY19. This was due to delay in payment from the state government for smart city and smart mobility projects. Further, majority of customers of ASL being the frontline banks/FIs, the payment is assured. The same can be corroborated from the fact that ASL had expensed bad debts to an extent of Rs.0.47 crore and made a provision of Rs.0.99 crore in FY20.

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

The company exports its services to various countries around the world. It receives around 75% of its revenues from Asia-pacific and remaining 25% from rest of the world. Majority of the company's foreign currency transactions are denominated in USD. However, the company does not hedge its foreign exchange fluctuation risk. Hence there is a risk of adverse movement in foreign exchange and its negative impact on profitability margins of the company. However, the company reported foreign exchange gain of Rs.2.33 crore during FY20 as against foreign exchange gain of Rs.0.47 crore during FY19 for un-hedged exposure. During H1FY21 the company reported foreign exchange gain of Rs.0.32 crore as against foreign exchange gain of Rs.0.19 crore for the un-hedged exposure.

Liquidity Indicator: adequate

The liquidity position of the company remained adequate on account of stable cash flow from operations, its gross cash accruals at Rs.72.19 crore in FY20 and a moderate cash balance of Rs.27.39 crore as on September 30, 2020 as against a debt repayment obligation of Rs.21.90 crore during FY20 (Post considering moratorium availed by ASL). The average utilisation of its working capital limits was around 89% for the 12 months ended October 2020, with peak utilisation of around 91% in August 2020.

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:

Sr. No.	Name of the Company	% of Holding as on March 31, 2020
	Subsidiaries	
1.	Cyberinc Corporation	62.26
2.	Aurionpro Solutions Pte Limited	100.00
3.	Aurofidel Outsourcing Limited	100.00
4.	PT Aurionpro Solutions	80.00
5.	Intellvisions Solutions Private Limited	100.00
6.	Servopt Consulting Private Limited (upto April 25, 2019)	100.00
7.	SC Soft Technologies Private Limited (w.e.f. April 01, 2020)	51.00
	Joint Venture	
8.	Intellvisions Software LLC	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](#)

[CARE's Policy on Liquidity Analysis of Non-Financial Sector Entities](#)

About the company

Aurionpro Solutions Limited (ASL), incorporated on October 31, 1997 is engaged in the business of providing solutions in areas of Transaction Banking Platform, Customer Experience (ACE Platform), Smart city and Smart Transportation experience and Cybersecurity solution. ASL, which has grown inorganically over the years, is headquartered in Mumbai and operates through its subsidiaries and affiliates in USA, UK, Singapore, Indonesia, Hong Kong, Malaysia, Thailand, Philippines, Vietnam, Kenya, Australia and India. ASL provides software products and consulting services primarily to the banking vertical in India and abroad. It also works with various Government PSUs and Undertakings to enable them to create Smart Cities, Smart Surveillance, Cyber Crime Solutions, E-Governance Solutions and the Cybersecurity segment offers an experience of Isla Isolation platform which protects web, email and documents threats on cyber security domain.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	H1FY21 (UA)
Total operating income	529.13	462.67	166.70
PBILDT	127.73	97.72	38.07
PAT	60.72	31.69	10.11
Overall gearing (times)	0.37	0.39	NA
Interest coverage (times)	10.72	5.35	4.68

A: Audited, UA: Unaudited, NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure 1: Details of Instruments/Facilities:-

Name of the Instrument	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	51.10	CARE BBB+; Stable
Fund-based-Long Term	-	-	-	17.90	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	77.00	CARE A3+
Fund-based - ST-Bank Overdraft	-	-	-	0.00	CARE A3+
Fund-based-Short Term	-	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Term Loan-Long Term	LT	51.10	CARE BBB+; Stable	-	1)CARE BBB+; Stable (07-Oct-19) 2)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)
2.	Fund-based-Long Term	LT	17.90	CARE BBB+; Stable	-	1)CARE BBB+; Stable (07-Oct-19) 2)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)
3.	Non-fund-based-Short Term	ST	77.00	CARE A3+	-	1)CARE A3+ (07-Oct-19) 2)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18) 2)CARE A3+ (07-Apr-18)	1)CARE A3 (11-Apr-17)
4.	Fund-based - ST-Bank Overdraft	ST	0.00	CARE A3+	-	1)CARE A3+ (07-Oct-19) 2)CARE A3+ (04-Apr-19)	1)CARE A3+ (10-Apr-18) 2)CARE A3+ (07-Apr-18)	1)CARE A3 (11-Apr-17)
5.	Fund-based-Short Term	ST	9.34	CARE A3+	-	1)CARE A3+ (07-Oct-19)	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - ST-Bank Overdraft	Simple
2.	Fund-based-Long Term	Simple

Sr. No.	Name of the Instrument	Complexity Level
3.	Fund-based-Short Term	Simple
4.	Non-fund-based-Short Term	Simple
5.	Term Loan-Long Term	Simple

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarification.

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