Birlasoft (India) Ltd

March 31, 2017

Ratings

Facilities*	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long-term Bank Facilities	60 (reduced from 65)	CARE A+; Stable [Single A Plus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	-	-	Withdrawn*
Total	**60 (Rupees Sixty crore only)**		

**The company has repaid the aforementioned short-term term loan in full and there is no amount outstanding under the said loan as on date.*

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Birlasoft (India) Limited (BSIL) continue to derive strength from its strong parentage being part of C.K Birla group with long track record in IT consulting business, reputed client base and alliances made by the company to drive business growth. The ratings also factor in the comfortable financial risk profile as reflected by consistent growth in operations, low gearing and comfortable liquidity position.

These rating strengths are, however, partially offset by the company's dependence on economic conditions of the foreign markets, client and geographical concentration, exposure to foreign currency fluctuation and stiff competition from established IT companies.

Going forward, the ability of the company to maintain profitable growth in its scale of operations in a highly competitive industry scenario without adversely impacting its capital structure will remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Resourceful and experienced promoters and management: BSIL is a part of C.K Birla group which has diversified business interest in various industry segments including cement, auto components, precision bearing, paper, building materials, Information Technology Enabled Services (ITeS), consumer durables, and heavy engineering equipment. BSIL has been promoted by National Engineering Industries Ltd (NEIL; rated 'CARE AA-/CARE A1+') holding 93.26% stake in BSIL. The company is led by Mrs Amita Birla who is the current chairman of the company and is assisted by a team of qualified professionals headed by Mr Anjan Lahiri, MD & CEO.

Comfortable financial risk profile: During FY16, the company registered 4.7% y-o-y growth in total income to Rs.1,082 crore. The profitability margins remained stable in FY16 with PBILDT margins of 14.56% and PAT margin of 8.11% (PBILDT margin of 12.57% and PAT margin of 6.86% in FY15). The healthy cash accruals have resulted in lower working capital utilization leading to improvement in solvency position. The company has relatively short operating cycle which has also aided the company in maintaining sound liquidity position.

Reputed client base: The company has overseas branches in Singapore, Australia, Sweden, Switzerland, Canada, Dubai and The Czech Republic. BSIL has a reputed set of clients like General Electric (GE), American Express, Credit Suisse, Pricewater House Coopers, etc.

***Strategic alliances and acquisitions**:* BSIL has entered into strategic alliances with various business partners to widen the gamut of their service offerings. The company has alliances with companies like HP, IBM, Microsoft, Oracle and SAP for

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

various services.

Key Rating Weaknesses

Client concentration and geographical concentration risk: The company's sales are highly geographically concentrated with USA accounting for 81% of the total sales followed by Europe – 12% and Asia pacific (including India) – 7%. Furthermore, the single largest customer of the company is GE (37% of revenue in FY16), with which company has a long-standing relationship of nearly a decade. However, the company is exploring opportunities to diversify its client base within US.

Dependence on economic conditions of the foreign markets: The company derives its revenues primarily from exports (of services) which exposes it to the economic conditions of the host countries. Indian IT industry is expected to grow at slower pace on account of recent events including US elections and Brexit.

Exposure to foreign currency fluctuation: The company is primarily an export oriented company with 96% of its revenues being generated from exports. The realization from BSIL's customers is in foreign currency and is exposed to the conversion risk of the currency. The company hedges up to 80% of its forex exposure to mitigate the risk to some extent.

Intense competition: The company faces stiff competition from well-established IT companies like I Gate, Genpact, Tech Mahindra, TCS and Polaris which compete in the same segment. The strategic alliances and intellectual property has enabled the company to build repute and gain customer confidence for service delivery.

Analytical approach: Consolidated; CARE has considered the consolidated financials as the group provides IT related services through BSIL and its subsidiaries.

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's Methodology for Short-term Instruments
CARE's for Factoring Linkages in Ratings
Financial Ratios – Non Financial Sector
CARE's Methodology for Service Sector Companies

About the Company

BSIL, part of CK Birla Group, was incorporated in 1995. BSIL is chaired by Mrs Amita Birla, wife of Mr CK Birla, who is also one of the directors in the company. The company is headed by Mr Anjan Lahiri, Managing Director & CEO, who joined BSIL in April 2015.

BSIL is a global provider of IT solutions and services with operations across USA, Europe and APAC region. The company provides services in the areas of software development, package implementation, application management and testing. The main focus of the company is software implementation, testing and product development. BSIL leverages its domain knowledge in the areas of banking, financial services, manufacturing, healthcare and ERP implementation. BSIL has global development delivery centres in USA, UK, China, Poland and India.

During FY16 (refers to the period April 01 to March 31), BSIL reported net profit of Rs.88 crore on total income of Rs.1,082 crore as against net profit of Rs.71 crore on total income of Rs.1,034 crore in FY15. The PBILDT margin during FY16 was 14.56%. During H1FY17 (refers to the period April 01 to September 30), the company reported net profit of 45 crore on total income of Rs.563 crore with PBILDT and PAT margin of 14.94% and 7.96%, respectively.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

***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 clarifications.*

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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
Fund-based - LT-Cash Credit	-	-	-	30.00	CARE A+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	30.00	CARE A+; Stable

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	30.00	CARE A+; Stable	1)CARE A+ (12-Apr-16)	1)CARE A+ (20-Apr-15)	1)CARE AA- (SO) (27-Jan-15)	1)CARE AA- (SO) (17-Sep-13)
2.	Fund-based - ST-Term loan	ST	-	Withdrawn	1)CARE A1+ (12-Apr-16)	1)CARE A1+ (20-Apr-15)	1)CARE A1+ (SO) (27-Jan-15)	1)CARE A1+ (SO) (17-Sep-13)
3.	Fund-based - LT-Working Capital Limits	LT	30.00	CARE A+; Stable	1)CARE A+ (12-Apr-16)	1)CARE A1+ (20-Apr-15)	1)CARE A1+ (SO) (27-Jan-15)	1)CARE A1+ (SO) (17-Sep-13)

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