

GlobeOp Financial Services (India) Pvt Ltd

March 17, 2017

Ratings

Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
Proposed Non-Convertible Debenture issue	325 (enhanced from 300) (Rupees Three hundred and twenty five crore only)	CARE BBB-; Stable (Triple B Minus); Outlook: Stable	Reaffirmed

Details of facilities/instruments in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the proposed NCD issue of GlobeOp Financial Services (India) Pvt Ltd (GFS) derives strength from the parentage of the company being a part of SS&C Group and structural importance of the company in the group as service provider to its group company – GlobeOp Financial Services Ltd, UK (GFSL,UK).

Based on structure and dependency on the group for revenue, CARE has analysed the financial and business profile of SS&C Group to arrive at the rating.

The credit profile of SS&C Group derives strength from its long track record and established presence in the global financial service industry, diversified portfolio of services offered, wide spread network with more than 73 offices worldwide and diversified clientele.

These strengths are constrained by below average financial risk profile marked by highly leveraged capital structure and low debt service coverage indicators, exposure to foreign exchange fluctuation risk and failures in financial industry adversely impacting the demand and intense competition.

The ability of SS&C Group to maintain its profitability margin in an industry sensitive to price and quality of services offered remains a key rating sensitivity. Furthermore, any large size debt-funded acquisition leading to significant deterioration in the capital structure and debt repayment capability also constitutes a key rating monitor-able.

Purpose of the issue

The money raised through NCD issue of Rs.300 crore by GFS will be used to fund acquisition of GlobeOp Financial Services Technologies (India) Pvt Ltd (GTS), part of SS&C Group. The NCD will be issued to SS&C Technologies Holdings Europe S.A.R.L (SS&C, Luxembourg), the immediate holding company of GFS. The revenue of GFS is dependant on its group company- GFSL, UK and the servicing of debt obligations is to be met from cash accruals and cash balances maintained with GFS.

Detailed Description of the key rating drivers

Key Rating Strengths

Long track record and established presence in the financial services industry: SS&C was founded in 1986 by Mr William C Stone, who has served as company's Chairman and Chief Executive Officer since the beginning. The senior management team has more than 20 years of experience in the software and financial services industries.

Diversified portfolio of services offered: The company offers software for various business requirements. The company's services include middle and back office software as a service (SaaS) and business process outsourcing services.

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

Wide spread network and diversified clientele: SS&C has widespread network with 73 offices/delivery centres. The products and services are used by 10,000 clients. The client profile is also diversified with largest client accounting for less than 5% of the revenues in 2015.

Key Rating Weaknesses

Highly leveraged capital structure and low coverage indicators: SS&C's capital structure deteriorated to 4.61 times as on December 31, 2015, from 0.66 times as on December 31, 2014. The company acquired 3 companies Advent Software Inc., Primatics Financial and Varden Technologies for an aggregate price of USD 2741 mn in 2015. The company funded the acquisition and refinancing of the existing debt with USD 3100 mn debt financing leading to such high gearing level as on December 31, 2015. The debt service coverage indicators have also deteriorated with TD/GCA deteriorating from 2.85x in 2014 to 17.88x in 2015.

Exposed to foreign exchange fluctuation risk: In 2015, approximately 32% of revenue was from clients located outside the United States. Exposure to changes in foreign currency exchange rates results in foreign currency transaction gains and losses.

Intense competition from other players: The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new products.

Failures in financial industry could adversely impact the demand : Failure and consolidation of banks and financial institutions reduce the number of clients and potential clients, which could adversely impact SS&C's revenues.

Analytical approach: Consolidated financials of SS&C Technologies Holdings Inc has been considered for arriving at the ratings.

Applicable Criteria:

Criteria on assigning outlook to credit ratings
CARE's policy on Default Recognition
Criteria for short term instruments
Financial Ratios: Non Financial Sectors
Rating Methodology – Service Sector Companies
Rating Methodology: Factoring Linkages in Ratings

About the company

GFS was incorporated on June 25, 2003. The Company is a wholly-owned subsidiary of SS&C Technologies Holdings Europe S.A.R.L based in Luxembourg (SS&C, Luxembourg) which is ultimately held by SS&C Technologies Holdings, INC, USA (SS&C). GFS, India is engaged in providing information technology enabled and software development support services to its associate enterprise - GlobeOp Financial Services Limited, UK (GFSL, UK). The Company exports these services from its delivery centers in India. During FY16 (refers to the period April 1 to March 31), GFS reported a PAT of Rs.8.11 crore (PY: Rs.8.58 crore) on a total income of Rs.42.32 crore (PY: Rs.41.28 crore).

About SS&C Technologies Holdings, Inc (SS&C)

SS&C is a global provider of investment and financial software-enabled services and software focused exclusively on the global financial services industry. The company was founded in 1986 by William C. Stone who is also the chairman of the company. SS&C has acquired 43 businesses with products, services and technologies in existing or complementary vertical markets since 1995. As on December 31, 2015, the company has more than 73 offices throughout North America, Europe, Asia, and Australia with products & services being used by 10,000 clients. SS&C reported a net profit of USD 42.9 mn and a total income of USD 1000 mn in CY15 (refers to the period January 01 to December 31).

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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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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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
Debentures-Non Convertible Debentures (Proposed)	-	-	-	325.00	CARE BBB-; 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.	Debentures-Non Convertible Debentures	LT	325.00	CARE BBB-; Stable	1)CARE BBB-; Stable (30-Dec-16)	-	-	-

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