

Press Release

Altimetrik India Private Limited

October 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.12.00 crore
Long Term Rating	ACUITE B+/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of **'ACUITE B+' (read as ACUITE B Plus)** on the Rs.12.00 crore bank facilities of Altimetrik India Private Limited (AIPL). The outlook is **'Stable'**.

In 2001, Synova Innovative Technologies Private Limited (subsidiary of Altimetrik Corp, USA), took over a company named ENTEG Technologies Private Limited which was later in 2003, renamed to Altimetrik India Private Limited (AIPL). Later in 2014, on account of reverse merger, Altimetrik India merged with Synova Innovative and become the sole subsidiary of Altimetrik Corp, USA. AIPL, promoted by Mr.Raj B. Vattikuti provides hosting services, SAP solutions and consultancy services to its reputed and diversified clientele. Based in Bangalore, Karnataka, AIPL has 1362 strength of employees as on March, 2018. Altimetrik Corp, USA – its holding company has one more subsidiary name Altimetrik Uruguay. Altimetrik Corp, USA is engaged in providing IT solutions.

Analytical Approach

Acuite has considered standalone view on the business and financial risk profile of AIPL to arrive at the rating.

Key Rating Drivers

Strengths:

- Experienced management and long track record of operations**

AIPL incorporated in 2003 and is a subsidiary of Altimetrik Corp. USA. The company is promoted by Mr. Raj B. Vattikuti who is the founder and chairman of AIPL. The directors, Mr. Timothy Stephen Manney (President & Global CFO), Mr. Raj Kumar Sundaresan (Chief Operating Officer), Mr. Gopal Desikan Chakravarthy have more than two decades of experience in IT industry. Mr.Raj B. Vattikuti, Founder of Altimetrik, is a philanthropist who has established companies like Altimetrik, Covansys, Synova, Vattikuti Ventures, Vattikuti Technologies, and Davinta Technologies. Headquartered in Southfield, Michigan, USA, Altimetrik Corp, his present venture, is a rapidly growing technology enterprise with more than 2,500 associates across development centres in San Francisco and New York City (USA), Bangalore and Chennai (India) and Montevideo (Uruguay). Acuite believes that promoter's extensive experience and track record has helped it establish and maintain healthy clientele and lead to healthy revenue CAGR of 21 per cent over the last three years ending March, 2018.

- Diverse service mix**

AIPL's prototype capability Centre strives to redefine the target user experience through cutting-edge application design. By using an interactive and prototype-factory approach, AIPL catalyses technology transformation and accelerates the design-to-deployment cycle, while ensuring an enriched customer experience. At the heart of any technology revolution is a suite of next -gen

solutions that help organizations innovate, improve efficiencies and drive excellence. Developing such intuitive and secure platforms requires a comprehensive understanding of the business landscape, in-depth domain knowledge and a thoughtfully laid out businesses plan. As a catalyst for technology transformation, AIPL aims to simplify technology and amplify possibilities to help businesses meet the needs of an extremely demanding, evolving and tech-savvy clientele. AIPL secure platforms like Cloud, Digital Transformation, IOT, Artificial Intelligence (AI), Robotics etc serves their customers end to end solution. AIPL is pioneering a unique 'DesignOps' approach that extends the DevOps methodology to the cycle of user research, design and production. Designs ensure that design changes and adding new features becomes glitch-free. It also defines a mechanism that extends the feedback loop all the way from end-users to designers for continuous improvement ops and better customer experience. It receives revenue from SAP - (10%), BFSI - (45%), Automobile - (30%), Health Care - (15%). Acuite believes that diverse service mix would aid its business risk profile over the medium term.

- **Healthy Revenue growth**

AIPL'S revenue has been growing at healthy pace with y-o-y growth of minimum 20 per cent and CAGR of 21 per cent over the last three years ending March, 2018. Revenue was Rs.265.70 crores in FY18 on provisional basis. This has been due to continuous orders from its holding company as well as its other reputed clientele in India. AIPL has recorded revenue of Rs.112.25 crores for five months through August, 2018; and has Rs.47.76 crores of contracts in hand from BFSI segment like Bank of New York Mellon, Silicon Valley Bank, Citi bank, etc which also shows diversification from its regular clientele. Acuite believes that positive revenue growth expected would aid the business risk profile over the medium term.

- **Continuous track record of Strong support from holding company and associate entities**

AIPL has been supported by its holding entity – Altimetrik Corp, USA and associate entities named Vattikuti Technologies Pvt Ltd and CBSI India Pvt Ltd. As on March, 2018, there is unsecured loans of Rs.27.14crores from Vattikuti Technologies Pvt Ltd and Rs.5.54 crores from CBSI India Pvt Ltd. Apart from the above, Compulsorily Convertible Debentures worth Rs.17.85 crores and Compulsorily Convertible Preference Shares worth Rs.5.28 crores have been issued by its holding company. The unsecured loans have been though fluctuating but minimum amount of Rs.18.74 crores has been there over the last three years ending March, 2018. Acuite believes that the continuity of the above support would remain the key monitorable over the medium term.

Weaknesses:

- **Lack of track record of positive EBITDA; Turned positive in FY18**

EBITDA margins were negative until FY17 due to higher employee costs. AIPL has around 1362 employees, out of which 15-20 per cent of work force is on standby / bench; another 20 per cent are support staff and remaining being deployed in core process. This is to ensure the services are delivered uninterruptedly, besides employee attrition which is approx 15-18 per cent. Negative EBITDA margins were majorly because of the high employee cost. Employee cost as a % to revenue has improved to 83.71 per cent in FY18 from 90 per cent in the previous years which has led to positive EBITDA of 1.47 per cent in FY18 vis-à-vis negative EBITDA margin of 6.67 per cent in FY17 and 9.28 per cent in FY16. Till August 2018, the company has clocked revenue of Rs.112.25 crores and EBITDA margin of 7 per cent indicating a positive growth trend in FY19. Acuite believes that sustainability of positive EBITDA margins would remain the key rating sensitivity factor over the medium term.

- **Customer concentration in revenue profile**

The company has reputed clientele such as Paypal, Mastercard, Ford Motor Private Limited,

Hindustan Unilever Limited, Hero Motocorp Ltd., to name a few in the Indian territory. However, it continues to derive maximum revenue from its holding company – Altimetrik Corp, USA. About 48.07 per cent of revenues in FY18, and 54.74 per cent in FY17 have come from Altimetrik. Acuite believes that any negative impact in its holding company's performance in terms of business or liquidity is likely to impact AIPL's performance over the medium term.

- **Amortization of goodwill leading to net loss until FY17 resulting in weak financial risk profile; Improved from FY18**

In 2001, Synova Innovative Technologies Private Limited (subsidiary of Altimetrik Corp), took over ENTEG TECHNOLOGIES PRIVATE LIMITED at a cost of Rs.40 cr which was later renamed to AIPL. Later in 2013-14, on account of reverse merger, AIPL merged with Synova Innovative and became the sole subsidiary of Altimetrik Corp. Hence, the Rs.40.00 crore became the goodwill of AIPL, which was to be amortised for the period of 5 years upto FY18 leading to net loss. The net loss widened due to existing losses incurred at operating levels. AIPL's networth has remained negative leading to negative gearing over the last 3 years ending March, 2018. Negative networth is because of continuous net loss of goodwill amortization and negative EBITDA margins. Positive debt protection metrics in FY18 – AIPL's positive net cash accruals and low debt has led to moderate NCA/TD and interest coverage of 0.01 times and 1.05 times in FY18. With improving NCAs, the debt protection metrics are expected to improve over the medium term.

Outlook:

Acuite believes that outlook of the company would remain stable on the back of experienced promoters and long track of operations. The outlook may be revised to Positive in case of higher than expected revenues and improvement in profitability along with improvement in financial risk profile. Conversely, the outlook may be revised to Negative in case of less-than-expected profitability or any decline in support from the holding company leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	265.70	213.36	175.03
EBITDA	Rs. Cr.	3.90	(14.22)	(16.25)
PAT	Rs. Cr.	(11.40)	(28.00)	(34.15)
EBITDA Margin	(%)	1.47	(6.67)	(9.28)
PAT Margin	(%)	(4.29)	(13.12)	(19.51)
ROCE	(%)	124.98	(3801.11)	(286.96)
Total Debt/Tangible Net Worth	Times	(1.63)	(0.60)	(2.38)
PBDIT/Interest	Times	1.05	(2.76)	(2.27)
Total Debt/PBDIT	Times	6.88	(1.52)	(2.22)
Gross Current Assets (Days)	Days	91	93	67

Status of non-cooperation with previous CRA: Not Available

Any other information: Not Available

Applicable Criteria

- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Services Entities: <https://www.acuite.in/view-rating-criteria-8.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B+/Stable (Assigned)

Contacts

Analytical	Rating Desk
Srihari Adari Head - Rating Operations Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Neha Agarwal Senior Analyst - Rating Operations Tel: 040-40055487 neha.agarwal@acuite.in	

About Acuite Ratings & Research:

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