

Press Release

Altimetrik India Private Limited

November 28, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB- / Stable (Upgraded from ACUITE B+ / Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**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 1800 strength of employees as on March, 2019. Altimetrik Corp, USA – its holding company has one more subsidiary name Altimetrik Uruguay. Altimetrik Corp, USA is engaged in providing IT solutions.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of AIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

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, Headquartered in Southfield, Michigan, USA, Altimetrik Corp, is a 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). Acuité believes that promoter's extensive experience and track record has helped it establish and maintain healthy clientele and continues orders from clients.

- **Diverse service mix**

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. Acuité 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 though stagnant in FY2019. Revenue stood at Rs.265.00 crores in FY19 against Rs.265.70 in FY18. The stagnancy in revenues are on account of restructuring of organisation. AIPL has recorded revenue of Rs.202.80 crores for seven months through November, 2019. Acuité 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, 2019, there is unsecured loans of Rs.14.72 crores from Vattikuti Technologies 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. Acuité believes that the continuity of the above support would remain the key monitorable over the medium term.

Weaknesses

- **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 50 per cent of revenues in FY18, and 48.07 per cent in FY18 have come from Altimetrik. Acuité 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.

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

EBITDA margins were negative until FY17 due to higher employee costs. Employee cost as a % to revenue has improved to 80.92 per cent in FY19 from 83.71 per cent in FY18 (FY17: 91.12 percent) which has led to positive EBITDA of 5.30 per cent in FY19 vis-à-vis EBITDA margin of 1.47 per cent in FY18 and negative EBITDA margin of 6.67 per cent in FY17. Till August 2019, the company has clocked revenue of Rs.202.80 crores and EBITDA margin of 7.72 per cent indicating a further growth trend in FY20. Acuité believes that sustainability of positive EBITDA margins would remain the key rating sensitivity factor over the medium term.

- **Weak financial risk profile, though improving**

The AIPL's financial risk profile is weak, marked by a negative networth resulted in negative gearing (debt-to-equity). AIPL's networth has remained negative at around Rs. 13.98 crores as on March 31, 2019. Negative networth is because of continuous net loss of goodwill amortization and negative EBITDA margins. Positive debt protection metrics in FY19 – AIPL's positive net cash accruals and low debt has led to moderate NCA/TD and interest coverage of 1.19 times and 4.16 times in FY19. With improving NCAs, the debt protection metrics are expected to improve over the medium term.

Liquidity Position

Liquidity of AIPL is adequate marked by moderately utilised bank lines through six months ending October 2019. AIPL's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 89 in FY2019 (Provisional). Further, AIPL's bank limits are utilised at 42 percent. Also, AIPL reported cash accruals of Rs. 10.89 crore in FY2019 (provisional) against which there are no repayment obligations. Cash accruals are estimated to remain around Rs. 16.50 – 17.50 crore during 2020-22, while its repayment obligations are expected to be nil; which gives adequate comfort for the incremental working capital requirements. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of improving net cash accruals.

Rating Sensitivities

- Improvement and stabilization of operating and profit margins
- Any deterioration in financial risk profile

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	265.00	265.70	213.36
EBITDA	Rs. Cr.	14.04	3.90	(14.22)
PAT	Rs. Cr.	6.78	(11.40)	(28.00)
EBITDA Margin	(%)	5.30	1.47	(6.67)
PAT Margin	(%)	2.56	(4.29)	(13.12)
ROCE	(%)	(818.83)	124.98	(3,801.11)

Total Debt/Tangible Net Worth	Times	(0.83)	(1.63)	(0.60)
PBDIT/Interest	Times	4.16	1.05	(2.76)
Total Debt/PBDIT	Times	0.80	6.88	(1.52)
Gross Current Assets (Days)	Days	89	91	63

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
9-Oct-2018	Cash Credit	Long Term	12.00	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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