

**Press Release**  
**Altimetrik India Private Limited**

**May 24, 2022**



**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as ACUITE triple B) from 'ACUITE BB+' (read as ACUITE double B plus) on the Rs 18.00 Cr. bank facilities of Altimetrik India Private Limited (AIPL). The outlook is '**Stable**'.

The rating upgrade is on account of overall improvement in the business risk profile of the company marked by substantial increase in the turnover and absolute profitability levels thus translating into higher cash accruals, which is backed by significant shift toward process digitisation, migration to cloud-based technologies, workplace transformation, business model transformation and enhanced cybersecurity controls, post pandemic. The rating also draws comfort from the recurring accruals led to comfortable gearing and robust credit metrics, the efficient working capital management supported by low debtors and adequate liquidity in the form of unutilised fund based limits and cash and cash equivalents. These strengths are however, partly constrained by the customer concentration risk and inherent business risks and vulnerability of earnings to factors such as wage inflation, attrition, exchange rate fluctuation, etc.

**About the Company**

Incorporated in 2003, Altimetrik India Private Limited (AIPL) is engaged in providing information technology enabled services. AIPL provides platforms like Cloud, Digital Transformation, IOT, Artificial Intelligence (AI), and Robotics to serve the customers' end to end solution. The company is promoted by Mr. Raj B Vattikuti. Currently, AIPL is headed by Raj Kumar Sundaresan, Timothy Stephen Manney and Gopal Desikan Chakravarthy. Altimetrik India is primarily involved in domestic and export business of selling information technology services including maintenance services and has facilities in Bangalore.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Strong parentage; experienced management team**

AIPL India is a 100 per cent subsidiary of Altimetrik Corp, USA, which generates a significant proportion of ~76 per cent in FY2022 of its revenues from technology services, global business services and cloud services to the parent. Acuité expects that AIPL India would continue to remain a key delivery centre for the parent and benefit from access to Altimetrik Corporation's technical expertise and capabilities. Further, AIPL India's operations are guided by a strong management team of Mr. Timothy Stephen Manney, Mr. Raj Kumar Sundaresan, and Mr. Gopal Desikan Chakravarthy with extensive experience in the IT industry, which has facilitated relationships with large clients in the domestic market and ensure repeat orders. Acuité derives comfort from the long experience of the directors.

### **Steady improvement in the Business Profile**

The company has achieved revenues of Rs. 471.64 Cr in FY2021 as compared to revenues of Rs 374.66 Cr in FY2020. The company has achieved revenues of Rs ~830.00 Cr till March 2022(Provisional). The turnover of the company has been growing at a CAGR of more than 46.00 per cent from FY19 to FY22. The increase in top line was driven by accelerated spends on migration to cloud, digital initiatives to bring business models online due to a sharp shift towards digital services post pandemic. The company's key service lines include digital application engineering, including application development work, cloud native development, DevOps work, and cloud and enterprise application, spread across BFSI, ITeS, heavy engineering, retail, and automobile verticals and hence, remains protected from downturn in any specific segment or industry. Further, the stability in revenue is backed by an unexecuted strong order book position to the tune of about Rs.748 crores as on 31st March, 2022, of which ~80 per cent is from the parent company, thus providing moderate revenue visibility over the medium term. Acuité believes that positive revenue growth expected would aid the business risk profile going forward.

Backed by constant optimisation of process and reduction in operational overheads (lower rental and travelling expense), there has been a steady expansion of overall operating profit margin which increased to 12.79 per cent as on 31st March, 2021. The PAT margins also improved to 9.25 per cent in FY2021 owing to lower tax burden due to adjustments of previous accumulated losses. However, both operating margin and PAT margin moderated in FY22, reflecting the challenging operating environment characterised by pressure on commoditised IT services, wage inflation, and higher onsite costs necessitated by visa curbs. The Return on Capital Employed (ROCE) of the company continued to be strong at 127.09 per cent in FY2021 and is expected to remain comfortable in the near term.

### **Healthy financial risk profile**

The company's above average financial risk profile is marked by improving networth base, comfortable gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs.21.88 Cr as on March 31, 2021 and further to Rs.67.49 Cr as on March 31, 2022 (Prov) from the negative networth base of the previous years on account of capital infusion as well as ploughing back of profits. Even though the gearing of the company stood high at 2.18 times as on March 31, 2021, it substantially improved to below unity at 0.45 times as on March 31, 2022 (Prov) due to conversion of fully convertible debentures to equity shares during FY22. The promoters have extended significant financial support to the company, via unsecured loans to cover working capital and debt obligations. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.42 times as on March 31, 2021 and improved to 1.23 times as on March 31, 2022 (Prov). The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 24.82 times and Debt Service Coverage Ratio at 23.25 times as on March 31, 2021. The surge in earnings in FY2022 supported by minimal debt and high accruals led to further improvement in the credit metrics as both Interest Coverage Ratio Debt Service Coverage Ratio stood strong at 70.89 times and 53.00 times respectively as on March 31, 2022(Prov). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on March 31, 2021 and 1.86 times as on March 31, 2022 (Prov). Acuité believes that AIPL's financial profile has strengthened further in FY2022 and the same is likely to sustain going forward, supported by healthy internal accrual generation and no major

increase in the company's debt levels, even though AIPL is expected to incur capex to expand its presence by increasing its employee base.

### **Weaknesses**

#### **Margins vulnerable to wage inflation and forex fluctuations**

AIPL's profit margins are susceptible to wage inflations and forex fluctuations. Being in a highly labour-intensive business, the availability and retention of a skilled workforce are its key challenges. Due to the increased demand for digitisation, the IT industry has experienced high attrition levels in the recent quarters, which is expected to increase the overall wage costs. AIPL is also exposed to the hiring norms of its operational countries. Further, with most of its revenues generated from global clients in foreign currency, the company is exposed to forex risk. However, AIPL's hedging mechanisms mitigate this risk to an extent.

#### **Exposure to intense competition in the global IT industry**

The slowdown in IT spend by global clients and the consequent decline in contract value in the industry has intensified competition among players. Entry Barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability. However, AIPL is focussed on enhancing its value-added digital services/product business to counter the competition to some extent.

### **Rating Sensitivities**

- Sustenance of revenue growth
- Sustainable improvement in profitability
- Any deterioration in working capital cycle and liquidity profile of the company
- Any deterioration in Revenue profile and leverage position of the company

### **Material covenants**

None

### **Liquidity Position: Adequate**

AIPL's liquidity profile remains adequate, supported by healthy internal accrual generation, sizeable deposits and liquid investments, no major debt repayment liability or major capex plans. Net cash accruals stood at Rs.51.88 Cr as on March 31, 2021 as against no long term debt repayment over the previous year. The cash and bank balances of the company stood at Rs.28.84 Cr as on March 31, 2021, which is entirely retained as current account balance. Moreover, the average utilisation of the fund-based limits stood moderate at ~43 per cent during the last 6 months ended March 2022, indicating a considerable buffer from unutilised sanctioned limits. The efficient working capital management of the company is marked by comfortable Gross Current Assets (GCA) of 52 days in as on March 31, 2021 which further improved to 37 days as on March 31, 2022 (Prov) owing to improvement in receivables at only 15 days as on 31 st March 2022 (Prov). However, the current ratio stood moderate at 1.06 times as on March 31, 2021, mainly on account of advances received for rendering services from Altimetrik Corp, USA. Acuité believes that overall liquid investments, unutilised working capital limits and expected comfortable cash accruals buoyed by efficient working capital management would be sufficient to meet regular capital expenditure and incremental working capital requirements and thereby maintain an adequate liquidity position.

### **Outlook: Stable**

Acuité believes that AIPL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry, and healthy unexecuted order book position. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case AIPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected

debt funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

#### Other Factors affecting Rating

Not Applicable

#### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	471.64	374.66
PAT	Rs. Cr.	43.63	23.62
PAT Margin	(%)	9.25	6.30
Total Debt/Tangible Net Worth	Times	2.18	(1.78)
PBDIT/Interest	Times	24.82	14.04

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

Crisil, vide its press release dated January 21, 2022 had downgraded the rating of Altimetrik India Private Limited to 'Crisil B+; ISSUER NOT COOPERATING'.

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Mar 2021	Cash Credit	Long Term	18.00	ACUITE BB+   Stable (Reaffirmed)
03 Mar 2021	Cash Credit	Long Term	12.00	ACUITE BB+   Stable (Upgraded from ACUITE BB-)
18 Feb 2021	Cash Credit	Long Term	12.00	ACUITE BB- (Issuer not co-operating*)
28 Nov 2019	Cash Credit	Long Term	12.00	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
09 Oct 2018	Cash Credit	Long Term	12.00	ACUITE B+   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB   Stable   Upgraded

## Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:srijita.chatterjee@acuite.in">srijita.chatterjee@acuite.in</a>	

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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