



**Press Release**  
**Altimetrik India Private Limited**  
**August 07, 2023**  
**Rating Reaffirmed**

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

**Rating Rationale**

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

**Rationale for Rating Reaffirmation**

The rating reaffirmation considers improved operating performance of AIPL marked by significant improvement in revenue, albeit declining margins and healthy financial risk profile. The revenue of the company improved to Rs.1096.20 Cr in FY2023 as against Rs. 832.24 Cr in FY2022. The operating margins declined to 8.04 percent in FY2023 from 9.21 percent in FY2022, primarily driven by increased employee costs. The financial risk profile continues to remain healthy marked by improving network base, healthy gearing and robust debt protection metrics. 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, bench cost, attrition, exchange rate fluctuation, etc.

**About the Company**

Incorporated in 2003, Bangalore based Altimetrik India Private Limited (AIPL) is engaged in providing information technology enabled services. Altimetrik India Private Limited provides platforms like Cloud, Digital Transformation, IOT, Artificial Intelligence (AI), and Robotics to serve the customers' end to end solution. Currently, Altimetrik India Private Limited is headed by Mr. Raj Kumar Sundaresan, Mr. Timothy Stephen Manney and Mr. 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, Chennai, Hyderabad Pune and Jaipur.

**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 ~80 per cent in FY2023 of its revenues from technology services, global business services and cloud services to the parent. Acuite 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.

### **Improving operating income, albeit declining profitability margins**

The company has achieved revenues of Rs.1096.20 Cr in FY2023 as compared to revenues of Rs 832.44 Cr in FY2022. The turnover of the company has been growing at a CAGR of more than 30.00 per cent from FY2020 to FY2023. 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 also diversified its clients base from fin-tech, banking industries to Automobiles, pharma industries. 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. Acuité believes that positive revenue growth expected would aid the business risk profile going forward. The operating margin and PAT margin moderated in FY2022 and FY2023, reflecting the challenging operating environment characterised by pressure on commoditised IT services, wage inflation, bench cost and higher onsite costs necessitated by visa curbs.

### **Healthy financial risk profile**

The company's healthy financial risk profile is marked by improving networth base, healthy gearing and strong debt protection metrics. The tangible net worth of the company increased drastically and stood at 131.97 crore as on March 31, 2023 as against Rs.86.21 Crore and Rs.21.88 crore as on March 31, 2022 and March 31, 2021 respectively. The major reason for increase in the net worth is due to conversion of fully convertible debentures to equity shares during FY2022 as well as ploughing back of profits. Out of Rs.17.85 crore Unsecured 7% Compulsorily Convertible Debentures Rs.1.78 crore is converted into fully paid up equity shares of Rs.10 each and remaining Rs.16.07 crore as Securities Premium Reserves. The gearing ratio of the company stood healthy at 0.13 times as on March 31, 2023 as against 0.35 times as on March 31, 2022, due to conversion of fully convertible debentures to equity shares during FY2022. The company has paid off the unsecured loans of Rs.12.50 crore in FY2023 which promoters had extended to the company, through its net cash accruals. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.65 times as on March 31, 2023 as against 1.72 times as on March 31, 2022. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 70.62 times and Debt Service Coverage Ratio at 52.16 times as on March 31, 2023. The surge in earnings in FY2022 and FY2023 supported by minimal debt and high accruals led to the improvement in the credit metrics in FY2023. Net Cash Accruals/Total Debt (NCA/TD) improved to 3.60 times as on March 31, 2023 as against 1.97 times as on March 31, 2022 and 1.09 times as on March 31, 2021. 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.

### **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 with improvement in the profitability margins.
- 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**

Not Applicable

### **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. Net cash accruals stood at Rs.62.88 Cr as on March 31, 2023 as against no long term debt repayment over the previous year. The cash and bank balances of the company stood at Rs.21.44 Cr as on March 31, 2023. The liquid investments of the company stood at Rs.9.95 crore as on March 31, 2023. The major portion of retained earnings are in the form on Bank deposits with less than 3 months' maturity. Moreover, the average utilisation of the fund-based limits stood moderate at ~59.48 percent during the last 12 months ended March 2023, indicating a considerable buffer from unutilised sanctioned limits. The current ratio improved and stood at 1.67 times as on March 31, 2023. 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 strong group company. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1096.20	832.24
PAT	Rs. Cr.	46.01	47.20
PAT Margin	(%)	4.20	5.67
Total Debt/Tangible Net Worth	Times	0.13	0.35
PBDIT/Interest	Times	70.62	59.92

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

CRISIL, vide its press release dated March 10, 2023 had reaffirmed the rating of Altimetrik India Private Limited to 'Crisil B+; ISSUER NOT COOPERATING'.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 May 2022	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Upgraded from ACUITE BB+   Stable)
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*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB   Stable   Reaffirmed

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### 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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