



Press Release
Altimetrik India Private Limited
October 11, 2024
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Total Withdrawn Quantum (Rs.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 plus**) from ‘**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 upgrade

The rating upgrade considers strong improvement in the business risk profile of the company marked by significant improvement in the turnover and profitability margins, thus translating into higher cash accruals. The operating revenue improved YoY with a reporting CAGR of 40 percent for the last three years ended FY2024. Further, the operating margins improved to 12.35 percent in FY2024 from 8.04 percent in FY2023 and the PAT margin doubled in FY2024 and stood at 8.97 percent as compared to 4.20 percent in FY2023. The rating also draws comfort from the recurring accruals led to healthy gearing and strong credit metrics, the efficient working capital management supported by low debtors and strong 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.

Going forward, the ability of the company to sustain revenue growth and profitability margins will be key rating monitorable.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 ~83 per cent in FY2024 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.

Improving scale of operations

AIPL has achieved revenues of Rs.1295.55 Cr. in FY2024 as against Rs.1096.20 Cr. in FY2023 and Rs.832.24 Cr. in FY2022 reporting a CAGR of 40.00 percent for the last three years ended FY2024. The increase in top line was driven by accelerated spends on migration to the cloud and digital initiatives to bring business models online due to a sharp shift towards digital services post-pandemic. The company also diversified its client base from fintech and banking industries to automobiles and 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 remain protected from downturn in any specific segment or industry.

The operating margin improved and stood at 12.35 percent in FY2024 as against 8.04 percent in FY2023 and 9.21 percent in FY2022. On absolute terms, EBITDA has doubled in FY2024 in comparison to FY2022. The EBITDA stood at Rs.160.01 Cr. in FY2024 as against Rs.76.62 Cr. in FY2022. The improvement in the operating margins is primarily due to the proportionate reduction in employee costs and improved pricing in the services rendered. With the further diversification of the customer base in FY2025, the company expects improvement in the operating margin over the medium term. The PAT margin of AIPL stood at 8.97 percent in FY2024 as against 4.20 percent in FY2023 and 5.67 percent in FY2022. The Return On Capital Employed (ROCE) of the company continued to be strong at 81.28 percent in FY2024 and is expected to remain comfortable in the near term.

Further, the company has reported revenue of Rs.471.92 Cr in 4MFY2025 with an operating margin at 14.94 percent and PAT margin at 10.99 percent.

Acuité believes that the positive scale of operations expected would aid the business risk profile going forward.

Healthy financial risk profile

AIPL's financial risk profile is healthy, marked by a strong net worth base, healthy gearing and strong debt protection metrics. The tangible net worth of the company improved strongly YoY and stood at Rs.248.47 Cr. as on March 31, 2024 as against Rs.131.97 Cr. as on March 31, 2023. The reason for the improvement in the net worth is due to the accretion of profits. Further, the company has no debt obligations as on March 31, 2024.

The company's gearing level stands at nil as on March 31, 2024. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.36 times as on March 31, 2024 as against 0.65 times as on March 31, 2023.

The strong debt protection metrics of the company are marked by the Interest Coverage Ratio (ICR) at 784.22 times and Debt Service Coverage Ratio (DSCR) at 624.92 times as on March 31, 2024. The surge in earnings in FY2024 and FY2023, supported by nil debt led to an improvement in the credit metrics as both ICR and DSCR.

Acuité believes that AIPL's financial profile is healthy and the same is likely to sustain going forward, supported by healthy internal accrual generation and no plans to increase its debt levels over the medium term.

Efficient Working capital management

The company's working capital operations are efficiently managed and are marked by comfortable Gross Current Assets (GCA) of 51 days as on March 31, 2024 as against 34 days as on March 31, 2023. The moderate increase in GCA days is due to an increase in debtor levels. The debtor days' stood at 39 days as on March 31, 2024 as against 15 days as on March 31, 2023. Previously, payments from Altimetrik Corp. USA (a group company) were received in advance. However, starting from FY2023, this changed, resulting in an increase in debtor days. The average consolidated bank limit utilisation level for AIPL is low at 7.77 percent for the last twelve months ended July 2024.

Acuité believes that the working capital operations of the company will remain at the same levels as evident from the efficient collection mechanism over the medium term.

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 and profitability margins.
- Any significant deterioration in working capital cycle and liquidity profile of the company.
- Any significant deterioration in revenue profile and leverage position of the company.

Liquidity Position: Strong

AIPL's liquidity profile is strong, supported by healthy internal accrual generation, sizeable deposits and liquid investments and no debt repayment liability. Net Cash Accruals (NCA) stood at Rs.132.90 Cr. as on March 31, 2024 as against no long term debt repayment obligations. The cash and bank balances of the company stood at Rs.5.95 Cr. as on March 31, 2024. The liquid investments of the company stood at Rs.29.33 Cr. as on March 31, 2024.

Moreover, the average utilisation of the fund-based limits stood low at ~7.77 percent during the last 12 months ended July 2024, indicating a sufficient buffer from unutilised sanctioned limits. The current ratio is high with 3.61 times as on March 31, 2024.

Acuité believes that overall liquid investments, unutilised working capital limits and expected healthy cash accruals aided by efficient working capital management would be sufficient to meet regular capital expenditure and incremental working capital requirements and thereby maintain a strong liquidity position.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1295.55	1096.20
PAT	Rs. Cr.	116.22	46.01
PAT Margin	(%)	8.97	4.20
Total Debt/Tangible Net Worth	Times	0.00	0.13
PBDIT/Interest	Times	784.82	70.62

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

Not Applicable

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Aug 2023	Cash Credit	Long Term	18.00	ACUITE BBB Stable (Reaffirmed)
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- (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

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

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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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