

Press Release

Ace Software Solutions India Private Limited

November 30, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	ACUITE B+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.8.00 crore bank facilities of Ace Software Solutions India Private Limited. The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About the Company

Mumbai-based, Ace Software Solutions (India) Private Limited (ASPL) was incorporated in 1974 by Mr. Parth Desai. ASPL is engaged in providing software solutions/products for banking and financial crime compliance operated on the platform called 'Pelican'.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of ASPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

ASPL is a Mumbai based company, incorporated in the year 1974. The company has an established track record of the operation of 4 decades in the information technology industry. The promoter of the company Mr. Parth Desai possesses an experience of over three decades in the Information Technology. The team has extensive experience in the treasury, payment processing, innovative payment system, anti-money laundering, fraud detection, sanction compliance, among others, to make Pelican platform more robust and innovative. ASPL has a development center in Mumbai and the team works on software development for payment transfers, fraud detection among others; and all its software sales are to its group entity - Ace Software Solutions Inc., USA (Ace Inc.). The extensive experience of the team has helped Ace in associating with global Banking majors such as Standard Chartered Bank, Wells Fargo, TD Bank - USA, NIBC Bank - Netherlands, among others. Further, Ace has supplied its product in India to ICICI Bank, SBI and IDFC Bank among others.

Acuité believes that ASPL's business risk profile will continue to benefit from its experienced management.

- Steady growth in revenue**

ASPL has shown steady growth in its top line during the period under study, i.e. from FY2017 to FY2020 (Provisional). The company registered revenue of Rs.26.93 crore in FY2019, as against Rs.24.19 crore in FY2018. As per the provisional figures available for FY2020, the company has registered a top line of Rs.30.78 crore. Going forward, the revenue of the company is expected to improve over the medium term, owing to the cost-cutting strategy adopted by the company.

Weaknesses

- Moderate financial risk profile.**

The financial risk profile of the company is marked by low net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the company stood at Rs.4.51 crore as on 31 March, 2020 (Provisional) as compared to Rs.4.41 crore as on 31 March, 2019. The total debt of the company as on 31

March, 2020 (Provisional) stood at Rs.4.32 crore. The gearing (debt-equity) stood moderate at 0.96 times as on 31 March, 2020 (Provisional) as against 1.15 times as on 31 March, 2019. Interest Coverage Ratio stood at 2.97 times for FY2020 (provisional) as against 4.23 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood modest at 1.62 times as on 31 March, 2020 (Provisional) as compared to 1.40 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.23 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 2.96 times in FY2020 (Provisional) as against 1.88 times in FY2019. Acuité believes that the financial risk profile is expected to improve over the medium term.

Material Covenants

None

Liquidity: Adequate

The company's liquidity profile is adequate marked by moderate net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.0.20-1.10 crore through FY2018-20 no maturing debt obligations. The working capital management of the company is efficient marked by GCA days of 55 days in FY2020 (Provisional) as against 49 days in FY2019. The company maintains low unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2020. The current ratio stands modest at 1.90 times as on March 31, 2020. The average bank limit utilization for the past 8 months ending August 2020 is ~ 86 percent.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	30.78	26.93
PAT	Rs. Cr.	0.11	0.05
PAT Margin (%)	(%)	0.34	0.18
Total Debt/Tangible Net Worth	Times	0.96	1.15
PBDIT/Interest	Times	2.97	4.23

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Sept-2019	Cash Credit	Long Term	3.25	ACUITE B+/Stable (Downgraded)
	Term Loan	Long Term	4.53	ACUITE B+/Stable (Downgraded)
	Proposed Bank Facility	Long Term	0.22	ACUITE B+/Stable (Downgraded)
19-July-2019	Cash Credit	Long Term	3.25	ACUITE BB- (Indicative)
	Term Loan	Long Term	4.53	ACUITE BB- (Indicative)
	Proposed Bank Facility	Long Term	0.22	ACUITE BB- (Indicative)

21-May-2018	Cash Credit	Long Term	3.25	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	4.53	ACUITE BB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	0.22	ACUITE BB-/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	3.25	ACUITE B+ (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	4.53	ACUITE B+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.22	ACUITE B+ (Withdrawn)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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