

Press Release

Aon Consulting Private Limited

July 01, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned a short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the abovementioned bank facilities of AON CONSULTING PRIVATE LIMITED (ACPL).

ACPL was incorporated in 2008 as an Indian arm of the multi-national group by the name "AON group" and is headed by Mr. Arun Dias, Mr. Rahul Kedia and Miss Vandita Saran. The company has 4 offices in India located in Gurugram, Noida and Bangalore with the employee strength of around 2100. ACPL is engaged in providing Human resources consulting services domestically and Business process outsourcing and technology-based support to its group affiliates which is the major contributor to the revenue streams of the entity. In addition to the above the company also conducts pre-hiring assessment tests by the name of "Aon Assessment" in major cities of India which is then used by various companies for the hiring process.

About the group:

The Aon Group (AG) was established by the incorporation of Aon Public Limited Company in 1982 by Mr. Patrick Ryan and currently the company is headed by Mr. Gregory Case and Lestor Knight. The company is Head-quartered in London, United Kingdom and has a presence in over 120 countries via its group affiliates with approximately 50,000 employees. The Aon group is involved in providing various services like insurance broking, commercial risk solutions including retail brokerage, cyber solutions and global risk consulting, reinsurance solutions, retirement solutions, health solutions, and data analytics services.

Analytical Approach

Acuité has considered the standalone business risk and financial risk profile of Aon Consulting Private Limited (ACPL) to arrive at the rating.

Key Rating Drivers

Strengths

• Strong Brand presence and experienced management

ACPL is a part of Aon group which is one of the biggest players in the insurance broking, reinsurance and human resources consulting industry with a healthy vintage of around 4 decades. The group has healthy scale of operations depicted by the overall consolidated turnover standing at \$ 11.01 billion in CY2019 as against \$10.77 billion in CY2018. Further the group has demonstrated a healthy quarterly performance marked by the revenue growth of ~8% in first quarter of CY2020 to \$ 1,148 million over \$ 1,060 million for the same period in CY2019 which is attributed to strong brand presence in over 120 countries and the business diversification of the group in various segments thus allowing them to cater to a number of reputed names across various industries like Amazon, AT & T, Crawford & Company limited to name a few. The revenue streams of the group are well diversified into commercial risk solutions, reinsurance solutions, retirement solutions, health solutions, and data analytics services.

The group has continuously acquired many businesses over the past decade in order to diversify the business segments as well as expand its reach to new customers and get a larger market share. Recently Aon group has acquired Willis Towers Watson to become the one of the biggest entity in the insurance broking sector. Further in 2016 ACPL has acquired and later amalgamated Cocubes Technologies Private Limited to expand into pre-hire assessment business.

The revenues of ACPL are majorly generated by the tech support work undertaken by the entity for its group affiliates thus the company performance is directly linked to that of the group entities. The brand name of Aon has benefitted ACPL in established long and healthy relations with many blue chip clients in the domestic markets for the Human resources consulting business like TATA group, Bank of Baroda, Maruti Suzuki India Limited, Mahindra & Mahindra and Hindustan Unilever limited to name a few.

The promoters of the company viz. Mr. Arun Dias, Mr. Rahul Kedia and Miss Vandita Saran are industry veterans with over 2 decades of experience. ACPL is well supported by second line of experienced management team. The company has over a decade of track record of operations in Human resources consulting and technical support business. The established track record of operations, renowned brand name along with experienced management has helped the company maintain long relationship with its customers which has resulted in healthy scale of operations marked by the operating income of Rs. 433.89 crore in FY2019 as against Rs. 387.09 crore in FY2018. Further, the company has registered revenue of Rs. 478.14 crore for FY2020 (Provisional).

• **Healthy Financial risk profile**

The financial risk profile of ACPL stood healthy marked by healthy net worth, comfortable gearing and healthy coverage indicators. The tangible net worth of the company stood healthy at Rs. 292.70 crores as on 31 March, 2019 as against Rs. 274.71 crores as on 31 March, 2018 on the back of healthy accretion to reserves, which in turn is a result of healthy profitability levels maintained by the company over the years. ACPL does not have any debt on its books, however utilizes non fund based facilities in the form of bank guarantee. The total outside liabilities to total net worth (TOL/TNW) ratio stands healthy at 0.38 times as on 31 March, 2019 and 0.55 times as on 31 March, 2018. The company's working capital requirements are sufficiently met by the cash generated by the business operations thus eliminating the reliance on external bank limits for the same. The Debt protection metrics of the company have remained healthy marked by the interest coverage ratio 41.94 times and the debt service coverage ratio of 17.54 times as on 31st March 2019. Further the company reported healthy net cash accruals (NCA) of Rs. 40.68 crore in FY2019. The cash accruals are expected in the range of Rs. 88.23 to 72.46 crore, against no debt obligations over the next three years. Acuite believes that the company will be able to sustain its existing financial risk profile in near to medium term backed by establish presence in the Industry, no long term debt and healthy net cash accruals.

Weaknesses

• **Foreign exchange risk and geographical concentration of revenues**

The major revenue stream of ACPL emanates from the technical support and Business process outsourcing services provided by the company to its group affiliates overseas which contributed to 74.97 percent of the total revenues of the company in FY2019 as against 78.47 percent of the total revenues in the previous year therefore the company is exposed to the risk of losses on account of currency fluctuations which can arise from the volatility in the geo-political situations, trade barriers and the advent of global recession led by Covid-19 pandemic, thus it is imperative that the company uses hedging mechanisms in order to safeguard their earnings in various markets. Further due to the emergence of the global pandemic the consulting industry is expected to witness a revenue slump in the ballpark of 20-25 percent.

Acuite also takes note of the fact that out of the total overseas revenues of Rs. 330.79 crores in FY2019 nearly 50 percent was generated by the services provided to USA based group entities similarly in FY2018 out of the total overseas revenues of 381.66 the figure amounted to 62.16 percent therefore there is a high geographical concentration of revenues. This revenue stream can be impacted heavily in case of any major changes in the taxation laws in the USA or any instability in the international relationships.

Rating Sensitivity Factor

- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle leading to deterioration of financial risk profile and liquidity.

Material Covenants

None

Liquidity Position: Healthy

The liquidity profile of the ACPL is healthy marked by healthy net cash accruals against no maturing debt

obligations. The company generated cash accruals in the range of Rs. 63.44 – 40.68 crores against no repayment obligation during FY2018-2019. The net cash accruals are expected to remain in range of Rs. 82.46 to 68.59 crores through FY20-22. The cash and bank balance stood at Rs. 31.18 crores and current ratio of the company stood at 2.34 times as on 31 march 2019. The gross current asset (GCA) days of ACPL stood healthy at 95 days in FY2019 and 101 days in FY2018. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accruals against no debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	499.89	545.04
PAT	Rs. Cr.	23.28	49.84
PAT Margin	(%)	4.66	9.14
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	41.94	26.87

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- 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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE A3+ (Assigned)

Contacts

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About Acuite Ratings & Research:

Acuite 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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