

Press Release
Aon Consulting Private Limited
September 23, 2021
Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A3+** (**read as ACUITE A three plus**) on the Rs. 100.00 Crore bank facilities of Aon Consulting Private Limited (ACPL).

The rating reaffirmation factors in the stable operating performance of the company despite the ongoing covid-19 pandemic. Although the company's revenue have declined during the past year, it was still able to achieve a satisfactory level of revenue. The rating also factors in continuous improvement in financial risk profile with high net cash accruals and improved performance in the current financial year.

About the Company

Incorporated in 2008, ACPL is the Indian arm of the Aon group which is spread across 120 countries in the field of insurance and reinsurance, HR consultancy and others. The company is Haryana based and generates its revenues via two lines of business viz. human resources consultancy services in the domestic markets as well as providing technical support to the group company's overseas. ACPL has around 2100 employees and has 4 offices located in Gurgaon, Noida and Bangalore. It is promoted by Mr. Arun Charles Dias, Mr. Rahul Kedia and Mrs. Vandita Saran.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Aon Consulting Private Limited while factoring in the support from the group entities and their strong brand presence.

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 insurance and HR consulting industry with an expanding reach of branches in 120 countries across the globe as well as over 50,000 employees. 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 proportional to the group entities performances. The Aon group has had a long presence in the industry i.e. nearly of 4 decades catering to clients within numerous domains. The overall consolidated turnover of the group stood at \$ 11.06 billion in 2020 as against \$11.01 billion in 2019. Further the group has demonstrated a healthy quarterly performance in Q1 and Q2 of FY2021 even amidst the covid-19 breakout. The long track record of operations and the business diversification of the group geographically as well as in various segments has allowed them to cater to a number of reputed names like Amazon, Walmart, AT & T, Tata Consultancy limited and Infosys to name a few.

The group has continuously undertaken mergers and acquisition over the years in order to diversify the business segments as well as expand its reach to new customers and get a larger market share. For instance Aon group has acquired Willis towers Watson in 2020 to become the biggest entity in the domain of insurance by overtaking renowned competitor Marsh & McLennan Companies Inc.

The brand name of Aon has benefitted their Indian arm ACPL in acquiring many big players in the domestic markets for the Human resources consulting business like Flipkart, Accenture, Bajaj Group, HDFC to name a few.

• **Healthy Financial Risk Profile**

ACPL has healthy financial risk profile marked by strong net worth, healthy debt protection metrics and low

gearing. The net worth of the company has sequentially improved to around Rs.390.66 crore as on 31 March, 2021 (Provisional) as against Rs.345.97 crore as on 31 March, 2020.

The company has followed a conservative financial policy in the past. The company don't have any fund based facility from the bank. The long term borrowing consist of lease liability. The gearing of the company is expected to remain low over the medium term on account of absence of any major debt. The total debt of Rs.53.34 crore as on 31 March, 2021 (Provisional) consists of lease liability.

The healthy profitability levels coupled with low gearing levels have led to strong coverage indicators. The interest coverage ratio stood healthy at 17.23 times in FY2021 (Provisional) as compare to 19.37 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 1.41 times in FY2021 (Provisional) and 1.56 times in FY2020. Debt to EBITDA stood at 0.57 times in FY2021 (Provisional) as against 0.45 times in FY2020. Acuité believes that the financial risk profile of the company is expected to remain healthy backed by high net cash accruals and in absence of any major debt.

Weaknesses

- **Decline in operating revenue and profitability**

There is a decline in operating revenue and profitability in FY2021 (Provisional). Operating revenue decline by 12.10% and stood at Rs.414.39 Crore in FY2021 (Provisional) as against Rs.471.41 Crore in FY2020 and Rs.499.89 Crore in FY2019. Similarly, the EBITDA margin of the company decline slightly to 20.05 percent in FY2021 (Prov.) as against 21.93 percent in FY2020. The PAT margin also decline to 10.91 percent in FY2021 (Provisional) as against 14.61 percent in FY2020. This is mainly due to disruption in the business consultancy market due to covid-19 pandemic followed by nationwide lockdown. The major decline in revenue was in domestic HR consultancy segment.

However, in the current financial year, the company have performed well and achieved the revenue of ~Rs.190.00 Crore as on August-2021. Acuite believes that the company will perform substantially better in the current financial year.

- **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 75.30 percent of the total revenues of the company in FY2021 (Prov.) as against 70.60 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.

Acuité also takes note of the fact that out of the total overseas revenues of Rs. 348.45 crores in FY2021 (Prov.) nearly 58 percent was generated by the services provided to USA based group entities similarly in FY2020 out of the total overseas revenues of 348.45 the figure amounted to 58 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

- Significant improvement in operating performance.
- Any deterioration in working capital cycle.

Material Covenant

None

Liquidity position: Strong

The Company has strong liquidity marked by high net cash accruals. The company generated cash accruals of Rs.75.01 Crore in FY2021 (Provisional). The cash accruals of the company are estimated to remain in the range of around Rs.83 Crore to Rs.100.00 Crore during FY2022-24. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 93 days in FY2021 (Provisional).

Company maintains unencumbered cash and bank balances of Rs.13.94 Crore as on 31 March 2021 (Provisional). The current ratio stands at 2.26 times as on 31 March 2021 (Provisional).

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	414.39	471.41
PAT	Rs. Cr.	45.21	68.86
PAT Margin	(%)	10.91	14.61
Total Debt/Tangible Net Worth	Times	0.14	0.18
PBDIT/Interest	Times	17.23	19.37

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>
- Service Sector Entities- <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/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
July 01, 2020	Letter of Credit	Short Term	100.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

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

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate Ratings Tel:022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager – Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Aditya Singh Senior Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in	

About Acuité Ratings & Research:

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