

Press Release

Aon Consulting Private Limited

December 22, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for Reaffirmation

The reaffirmation of rating takes into account the improvement in scale of operations, stable profitability and strong liquidity profile. Company has shown improvement in revenues wherein operating income in FY 2022 (Audited) stood at Rs. 510.85 Cr as against 425.61 Cr in FY 2021. Company has maintained healthy profitability levels and has strong liquidity marked by high net cash accruals and cash surplus in form of unencumbered Mutual fund and Fixed deposit investments.

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

Acuite 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 \$ 12.19 billion in 2021 as against \$11.06 billion in 2020. 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 Indian Oil Corporation Limited, Capgemini, HDFC to name a few.

Healthy Financial Risk Profile

Company has healthy financial risk profile marked by strong net worth, healthy debt protection metrics and low gearing. Tangible Net worth has improved from Rs. 393.36 Cr in FY 2021 to Rs. 453.85 Cr in FY 2022. Total debt of Rs. 65.70 Cr in FY 2022 consists of lease liability that the company is paying for the offices they are operating in. Consequently, Debt to Equity (Gearing) has remained comfortable at 0.14 times in FY 2022 and 2021. DSCR improved from 4.45 times in FY 2021 to 6.85 times in FY 2022. NCA/TD improved from 1.42 times in FY 2021 to 1.46 times in FY 2022. Interest Coverage Ratio improved and remained strong at 22.43 times in FY 2022 as against 18.28 times in FY 2021. Debt-EBITDA and TOL/TNW has remained comfortable and below unity in the last three years between FY 2020-2022. Since the company does not have any debt funded capex plan and the yearly capex is managed from internal accruals hence the team believes the financial risk profile to remain stable with slight improvement in the near term.

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 74.22 percent of the total revenues of the company in FY 2022 (Audited) as against 73.98 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 risk aversions in response to interest hikes by central banks, 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 revenues of Rs. 510.85 crores in FY 2022 nearly 50.43 percent was generated by the services provided to USA based group entities similarly in FY 2021 out of the total revenues of 425.61 Crore the figure amounted to 45.12% 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 Sensitivities

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

Material covenants

None.

Liquidity Position Strong

Company has strong liquidity marked by high net cash accruals and unencumbered FD and Mutual fund investments. In FY 2022 company generated net cash accrual of Rs. 96 Cr against maturing lease liability payment of Rs. 9.30 Cr. Going forward company is expected to generate NCA of Rs. 110.85 Cr and Rs. 129.15 Cr in FY 2023 and 2024 respectively against

maturing lease liability of Rs. 10.45 Cr and Rs. 9.65 Cr in each respective year. In FY 2022 company has investments of Rs. 393.81 Cr out of which Rs. 204.04 Cr is invested in mutual funds and Rs. 189.77 Cr is in form of Fixed deposits and both the investments are entirely unencumbered. Company had unencumbered cash and bank position of Rs. 3.33 Cr in FY 2022 while current ratio stood at 2.01 times.

Outlook:

Not Applicable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	510.85	425.61
PAT	Rs. Cr.	63.34	46.69
PAT Margin	(%)	12.40	10.97
Total Debt/Tangible Net Worth	Times	0.14	0.14
PBDIT/Interest	Times	22.43	18.28

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

None

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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Sep 2021	Letter of Credit	Short Term	100.00	ACUITE A3+ (Reaffirmed)
01 Jul 2020	Letter of Credit	Short Term	100.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A3+ 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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