

Press Release
Aon Consulting Private Limited
March 21, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has upgraded the short-term rating from '**ACUITE A3+**' (read as **ACUITE A three plus**) to '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 100.00 Crore bank facilities of Aon Consulting Private Limited (ACPL).

Rationale for upgrade

The rating takes into account the improvement in scale of operations, improving profitability, strong financial risk profile and strong liquidity position. Company has shown improvement in revenues wherein operating income in FY 2023 stood at Rs. 635.60 Cr as against 510.85 Cr in FY 2022. 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. However the rating is underpinned by foreign exchange risk and geographical concentration of revenues.

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 registered in Delhi 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 companies overseas. ACPL has around 2800 employees and has 4 offices located in Gurgaon, Mumbai Noida and Bangalore. It's Holding company is Aon Mauritius Holdings. It is being managed by Mr. Arun Charles Dias, Mr. Rahul Kedia and Mrs. Vandita Saran.

Unsupported Rating

Not Applicable

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 \$ 13.37 billion in 2023 as against \$12.47 billion in 2022. 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. The brand name of Aon has benefitted their Indian arm ACPL in engaging with many big players in the domestic markets for the Human resources consulting business such as Indian Oil Corporation Limited, Capgemini, HDFC to name a few.

Improvement in sales and profitability

Company earned revenue of Rs. 635.50 Cr in FY 2023 (Audited) which improved from Rs. 510.85 Cr in FY 2022 on account of better demand for consultancy and Business Process and Technology Outsourcing. Company's profitability saw improvement in the last three years. EBITDA margin improved from 20.62% in FY 2021 to 21.69% in FY 2022 and stood at 22.74% in FY 2023. Likewise PAT margin improved from 10.97% in FY 2021 to 12.40% in FY 2022 and stood at 13.40% in FY 2023. As of December 2023 company has earned revenue of Rs. 563.73 Cr and expects to earn revenue to the tune of Rs. 750 Cr in FY 2024.

Strong financial risk profile

Company has healthy financial risk profile marked by moderate net worth, healthy debt protection metrics and low gearing. Tangible Networth moderated from Rs. 453.85 Cr in FY 2022 to Rs. 274.86 Cr. in FY 2023 on account of capital reduction as approved by board of directors. The board of directors on January 10, 2022 approved reduction of paid up share capital by 17,94,25,837 fully paid-up equity share of Rs. 10 Each. The same was approved by equity shareholders by special resolution on January 11, 2022 and approved by NCLT on July 5, 2022. Accordingly during the year, the company has given effect to the reduction. The company has no dependence on external debt as Total debt of Rs. 58.66 Cr in FY 2023 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 0.21 times in FY 2023 and 0.14 times in FY 2022. DSCR improved from 18.39 times in FY 2022 to 19.79 times in FY 2023. NCA/TD improved from 1.46 times in FY 2022 to 2.03 times in FY 2023. Interest Coverage Ratio improved and remained strong at 24.82 times in FY 2023 as against 22.43 times in FY 2022. Debt-EBITDA and TOL/TNW even after reduction in capital has remained comfortable and below unity. 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 70.60 percent of the total revenues of the company in FY 2023 as against 74.22 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 geopolitical 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. 635.60 crores in FY 2023 nearly 47.12 percent was generated by the services provided to USA based group entities similarly in FY 2022 out of the total revenue of Rs. 510.85 crores nearly 50.43 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

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

Liquidity Position

Strong

Company has strong liquidity marked by strong net cash accruals and unencumbered FD and Mutual fund investments. In FY 2023 company generated net cash accrual of Rs. 118.92 Cr against maturing lease liability payment of Rs. 9.30 Cr. Going forward company is expected to generate NCA in the range of Rs. 130 Cr to Rs. 150 Cr against maturing lease liability of Rs. 11.52 Cr in each respective year. In FY 2023 company has investments of Rs. 137.96 Cr out of which Rs. 92.38 Cr is invested in mutual funds and Rs. 45.58 Cr is in form of Fixed deposits and both the investments are entirely unencumbered. Company had unencumbered cash and bank position of Rs. 15.36 Cr in FY 2023 while current ratio stood at 1.64 times.

Outlook : Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	635.60	510.85
PAT	Rs. Cr.	85.19	63.34
PAT Margin	(%)	13.40	12.40
Total Debt/Tangible Net Worth	Times	0.21	0.14
PBDIT/Interest	Times	24.82	22.43

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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
22 Dec 2022	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A3+ (Reaffirmed)
23 Sep 2021	Letter of Credit	Short Term	100.00	ACUITE A3+ (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A2 Upgraded (from ACUITE A3+)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Ultimate Holding Company: Aon plc, Ireland

Immediate Holding Company: Aon Mauritius Holdings

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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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