



## Synechron Technologies Private Limited

Instrument	Amount	Rating Action
Short Term – Fund Based	Enhanced from Rs. 100.00 crore to Rs. 130.00 crore	[ICRA]A1 reaffirmed
Long Term – Fund Based#	Enhanced from Rs. 100.00 crore to Rs. 130.00 crore	[ICRA]A-/Stable reaffirmed
Short Term - Non Fund Based#	Rs. 5.00 crore	[ICRA]A1 reaffirmed

# sublimit within total short term fund based facilities with total utilization not to exceed Rs. 130.00 crore

ICRA has reaffirmed the rating assigned to the Rs 130.00 crore\* (enhanced from Rs. 100.00 crore) long term and short term fund based facilities of Synechron Technologies Private Limited (STPL) as [ICRA]A- (pronounced ICRA A minus) with stable outlook and short term rating as [ICRA]A1 (pronounced ICRA A one)†. The long term fund based facilities are interchangeable with short term fund based facilities with total utilization not to exceed Rs. 130.00 crore. ICRA has also reaffirmed the rating for Rs. 5.00 crore non fund based facilities of STPL as [ICRA]A1 (pronounced ICRA A one). Non fund facilities are sub limit within overall fund based facilities with total utilization not to exceed Rs. 130.00 crore.

ICRA has taken into account consolidated financials of the Synechron Group (Synechron Holdings Inc including all its subsidiaries) as STPL is an offshore development and delivery centre for the group with closely linked management and operations.

The rating reaffirmation reflects continued comfortable capital structure characterized by moderate gearing and strong coverage indicators, proven track record of the promoters and established relations of the group with clients including some of Fortune 500 companies. The company has proven capabilities in advanced technology platforms especially for BFSI segment. The company operates as an offshore delivery centre for the group with other group companies engaged in sourcing and servicing the clients. The group has been able to add new clients in US as well as other geographies along with incremental revenues from existing clients which is expected to provide healthy growth going forward. STPL has shifted its development centre in Pune to a larger leased space in FY14 providing adequate scope for expansion over long term. On a consolidated basis, Synechron reported healthy OI growth of 19% in FY15 to reach sales of \$245 million and is expected to cross \$310 million in current fiscal with recent acquisitions providing added growth momentum.

The ratings, however, remain constrained by the moderate scale of operations in a highly competitive industry, stretched receivables from the group company putting pressure on the cash flows, and high segment, geographic and client concentration. The group has made two niche acquisitions over last 10 months which is expected to provide client and geographic diversification along with continued growth momentum over long term. The group majorly caters to BFSI clients in US and though group has been able to increase share of business from its clients over the years, remains vulnerable to discretionary budgets of its clients and pressure against off-shoring in its key target market. The operating margins for the company moderated in FY15 on back of higher overhead expenses as STPL has shifted to a larger leased premises in FY14 and stabilization of expenses will take some time as utilization of space goes up. The company remains exposed to industry wide risks of high attrition rates, wage inflation, currency fluctuations and regulatory framework for tax incentives which can put pressure on margins. ICRA also take note of pending income tax petitions as qualified by the auditor over the years whose materialization can result in sizeable incremental tax liability for the company though company has appealed against the same.

\* 100 lakh = 1 crore = 10 million

† For complete rating definition, please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications.



### **Company Profile**

STPL is a Pune based off shore delivery centre for US based Synechron Inc Holdings providing IT services to end customers majorly in US. The company was incorporated in 2001 by three technocrats and currently has ~3500 employees at its development centres in Pune. STPL is part of ~\$300 million US based Synechron group engaged in providing IT services including application development & maintenance, business intelligence and remote infrastructure management to clients majorly in US. STPL is a wholly owned subsidiary of privately owned Synechron Holdings Inc, British Virgin Islands with fellow subsidiaries in US, Canada, Europe, Japan, Netherland, and Middle East.

### **Recent Results**

STPL reported operating income of Rs. 503 crore in FY15 with PAT of Rs. 44.2 crore as against OI of Rs. 435 crore in FY14 with PAT of Rs. 60 crore. The holding entity Synechron Holdings Inc. reported consolidated operating income of \$245 million in FY15 with PAT of \$6.2 million as against OI of \$206 million in FY14 with PAT of \$8.9 million.

**October 2015**

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