

Ascendum Solutions India Private Limited

Instruments	Amounts (Rs. Crore ¹)	Rating Action September 2016
Long-term – Term Loan	25.00	[ICRA]BB- (Stable);
Long-term – Fund Based	5.00	Upgraded from [ICRA]B+

ICRA has upgraded the long-term rating assigned to the Rs. 25.00 crore long-term term loan facilities and the Rs. 5.00 crore long-term fund based facilities of Ascendum Solutions India Private Limited (AS IPL / the company) from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]BB- (pronounced ICRA double B minus)². The outlook on the long-term rating is stable.

Rating Rationale

The rating upgrade takes into account the improvement in ASIPL's financial profile as reflected by higher operating and net profitability on account of better absorption of fixed costs resulting in healthy cash accruals, and the improvement in the capital structure and coverage indicators during FY2016. The rating also takes into account the acquisition of new direct customers in FY2016 and till date in FY2017, which is expected to support its revenue growth in the near to medium term. The rating continues to be supported by the experience of the promoters in the IT & ITeS industry; the company's established relationship with its renowned customer base; and the stable rental income generated from its leased office space, which supports cash flows and debt repayment obligations.

The rating, however, remains constrained by the company's modest scale of operations. While customer concentration remained high during FY2016 with the top three customers contributing ~74% of the revenues; ASIPL's long-term association with its clientele and majority of the business being derived from group companies partially insulates the risk of order volatility. The working capital intensity of the company also remains high owing to the high value of receivables outstanding from group companies. The rating also factors in the high competitive intensity in the IT industry, amid a globally weak macro environment, thereby limiting pricing flexibility to an extent; and the susceptibility of earnings to fluctuating exchange rates and wage inflation.

Going forward, ASIPL's ability to increase its scale of operations while maintaining its profitability and to improve its collection efficiency and capital structure will be the key rating sensitivities.

Company Profile

Promoted by Mr. Mahendra Vora in February 2008, Ascendum Solutions India Private Limited (ASIPL) is a small-sized Information Technology (IT) solutions company. The company is part of the Vora Ventures Group, headquartered in Cincinnati, USA, which is a privately-held technology holding group comprising 12 IT firms broadly classified under three categories—IT infrastructure, IT products and IT services. ASIPL is a direct subsidiary of Ascendum Solutions LLC which was established through an amalgamation of the Cincinnati-based Professional Data Resources (data processing services), the Bangalore-based Ascendum Systems (10 years experience in development of offshore, onshore and dual shore projects), and Garnet Infosolutions (Microsoft Dynamics platform partner and implementer focused on delivering IT solutions). ASIPL is primarily engaged in IT services and offers key services such as software application development, application maintenance, and consulting services (staffing) to small, medium as well as large firms mainly in the US and Europe, across diverse verticals including retail, financial services, automobile, energy and utilities, and manufacturing.

Recent Results

During FY2016 (based on provisional numbers), ASIPL reported a net profit of Rs. 4.28 crore on an operating income of Rs. 20.96 crore, as against a net profit of Rs. 2.05 crore on an operating income of Rs. 19.61 crore during FY2015.

September 2016

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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