

Synechron Technologies Private Limited

Instrument	Amount	Rating Action
Short Term – Fund Based	Rs. 160.00 crore (enhanced from Rs. 130.00 crore)	[ICRA]A1 reaffirmed
Long Term – Fund Based [#]	(Rs. 160.00 crore) (enhanced from 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 utilisation not to exceed Rs. 160.00 crore

ICRA has reaffirmed the long-term rating for the Rs 160.00 crore¹ (enhanced from Rs. 130.00 crore) long term and short term facilities of Synechron Technologies Private Limited (STPL) as [ICRA]A- (pronounced ICRA A minus) with Stable outlook and the short-term rating as [ICRA]A1 (pronounced ICRA A one)[†]. The long-term fund based and short-term non fund based facilities are interchangeable with short term fund based facilities with total utilization not to exceed Rs. 160.00 crore.

ICRA has taken into account STPL financials as well as 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 ratings reaffirmation takes into consideration experienced promoters and key management personnel with established track record in US financial services industry. The company is part of US based mid tier IT services Synechron Group with proven capabilities in advanced technology platforms for BFSI segment. The group has achieved healthy growth over the years with increased client and geographic diversification supported by various medium and small acquisitions. The capital structure of the company continues to remain comfortable characterised by low gearing of 0.4x as on March 2016 along with comfortable coverage indicators. The group has long established relations with its clients including some of the Fortune 500 companies. The company operates as an offshore delivery centre for the group with other group companies engaged in sourcing and servicing the clients. The consolidated revenues of the group stood at \$303 million in FY2016 (y-o-y growth of ~24%) and addition of new clients in US as well as other geographies along with incremental revenues from existing clients is expected to provide healthy revenue growth in near to medium term.

The ratings, however, remain constrained by moderate scale of operations in a highly competitive industry, high segment, client and geographic concentration and extended receivables from the group company stretching the cash flows and liquidity profile of the company. The group has made two niche acquisitions over last six months which is expected to provide client as well as geographic diversification and continued growth momentum in near to medium 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, it remains vulnerable to discretionary budgets of its clients and pressure against off-shoring in its key target market. 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 takes 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. Going forward, further increase in receivable cycle from group companies and higher than anticipated acquisition levels will remain key rating sensitivities as it may weaken the liquidity profile of the company and group.

Company Profile

Synechron Technologies Private Limited (STPL) is a Pune based off shore delivery centre for US based Synechron Holdings Inc., British Virgin Islands providing IT services to end customers majorly in US. The company was incorporated in 2001 by NRIs Faisal Husain, Tanveer Saulat and American citizen Zia Bhutta. The company currently has ~3800 employees at its development centres in Pune, Bangalore and Hyderabad.

¹ 100 lakh = 1 crore = 10 million

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



Recent Results

STPL reported operating income of Rs. 585.4 crore in FY2016 with PAT of Rs. 61.4 crore as against operating income of Rs. 503.2 crore in FY2015 with PAT of Rs. 44.2 crore. The holding entity Synchron Holdings Inc. reported consolidated operating income of \$303.4 million in FY2016 as against operating income of \$245.7 million in FY2015.

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