

March 12, 2018

Exilant Technologies Private Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Long-term- Fund-based Limits	20.00	[ICRA]A+; placed on watch with developing implications
Long-term- Proposed	50.00	[ICRA]A+; placed on watch with developing implications
Short-term- Non-fund Based Limits	2.18	[ICRA]A1; placed on watch with developing implications
Short-term- Proposed	27.82	[ICRA]A1; placed on watch with developing implications
Total	100.00	

Material Event: Acquisition of the company by QuEST Global Services

Impact of material event

ICRA has placed the long-term rating of [ICRA]A+ (pronounced ICRA A plus) assigned to the Rs. 20.0-crore¹ fund-based facilities and Rs. 50.0-crore proposed fund-based facilities of Exilant Technologies Private Limited (Exilant or the company)² on 'watch with developing implications'. ICRA has also placed the short-term rating of [ICRA]A1 (pronounced ICRA A one) assigned to the Rs. 2.18-crore non-fund based facilities and Rs. 27.82-crore proposed non-fund based bank facilities of the company on 'watch with developing implications'.

Rationale

The rating watch follows the acquisition of Exilant by QuEST Global Services through a share purchase agreement with the company's promoters. Going forward, ICRA will continue to monitor implications of the same on Exilant's credit profile.

Outlook: Ratings under watch with developing implications

ICRA believes Exilant will continue to benefit from its experienced management team, synergies from the new promoter group and its longstanding relationship with its key customers. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability with improved working capital management strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, the company fails to reach its revenue potential or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

¹ 100 lakh = 1 crore = 10 million

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

Key rating drivers

Credit strengths

- **Long-term relationship with key customer** - The company has an established customer base of mainly export customers from the USA. It maintains long-term association with its largest customer (contributing ~97% to revenues during FY2017) to support revenues through steady deal wins.
- **Strong financial profile** - - Despite a marginal decline in revenues by 0.3% during FY2017, the company maintained healthy free cash flows of Rs. 38.3 crore as on March 31, 2017. It maintains a debt-free position with strong coverage indicators (EBITDA/ finance charges of 134.3 times as on March 31, 2017). The financial profile is further cushioned by a cash amount of Rs. 52.8 crore as on March 31, 2017.

Credit weaknesses

- **Stiff competition from large players to reduce price negotiation capability** - The company functions in an industry characterised by some large players limiting its pricing flexibility and bargaining power with its customers, thereby putting pressure on revenue expansion.
- **Low revenue diversification with ~97% of revenues generated from a single customer** - Despite the long-term relationship with its largest customer, the risk of order variability continues for the company.
- **High geographical concentration risk with ~96% of revenue generating from the US** - With the USA continuing to be the highest revenue contributor, the company continues to face currency fluctuation and geo-political risk. However, it is working towards launching new products in other geographies to diversify the revenue streams.

The previous detailed rating rationale is available on the following link: [Click here](#)

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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