

MFX Infotech Private Limited

April 05, 2019

Summary of rated instruments

Instrument*	Previous Rated Amount(Rs. crore)	Current Rated Amount(Rs. crore)	Rating Action
Long-term: Fund based / cash credit	6.0	6.0	[ICRA]AA (SO) (Stable); reaffirmed
Total	6.0	6.0	

*Instrument details are provided in Annexure-1

Rationale

The rating is based on the strength of the corporate guarantee provided by Qess Corp Limited (QCL / the guarantor, rated [ICRA]AA (Stable)/ [ICRA]A1+) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Outlook: Stable

MFX Infotech Private Limited's (MFX) rating outlook will be driven by the rating outlook of the guarantor.

Key rating drivers

Credit strengths

- **Corporate guarantee and undertaking provided by QCL towards the rated bank facilities of the company:** The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by QCL and undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Liquidity Position:

The liquidity of the company is expected to be driven by the liquidity profile of the guarantor.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent/Group Company: Qess Corp Limited (rated [ICRA]AA (Stable) / [ICRA]A1+) The assigned rating is based on an unconditional, irrevocable corporate guarantee extended by Qess Corp Limited
Consolidation / Standalone	The rating is based on corporate guarantee and undertaking provided by the guarantor, that it would ensure that the related debt obligations are serviced on or prior to the due date

About the company:

MFx Infotech Private Limited, incorporated on June 20, 2014, is a wholly owned subsidiary of Qess Corp Limited. The company is currently engaged in rendering software support services to corporate customers in India and Egypt and derives most of its revenues (more than 80%) from MFxchange US Inc. (MFx US).

MFxchange US Inc. (MFx US) is a specialist vertical system integrator for the insurance Industry providing end-to-end services leveraging strong capabilities in PaaS (Platform as a Service), IaaS (Infrastructure as a service), ADM (Application Development & Maintenance), BPO, Analytics and GRC (Governance, Risk and Compliance) services in an integrated services delivery model (iSDM). Headquartered in Morristown, New Jersey, MFx US has additional locations and data centers in Virginia, Texas, Toronto, Ireland, and multiple development centers under MFx in India under MFx.

About the guarantor

Qess Corp Limited (QCL) is engaged in offering end-to-end business solutions like general staffing, professional staffing, technology staffing, IT products and solutions, skill development, payroll, compliance management, integrated facility management and industrial asset management services to corporate clients operating across sectors. By dealing with QCL, clients have the flexibility to maintain a large employee base all-round the year thereby allowing them to save on unwanted manpower costs during off-season and outsource their non-core activities. During February 2018, the company acquired 100% stake in Monster Worldwide's India, Singapore, Hong Kong and Malaysia entities during FY2018. These entities have operations across India, Singapore, Malaysia, Philippines, Hong Kong, Vietnam, Thailand, Indonesia, UAE and Kingdom of Saudi Arabia and currently operates the same under the internet business segment. Subsequently, the company currently operates under five major segments – People Services, Technology Solutions, Facility Management, Industrials and Internet Business.

QCL was incorporated in October 2007 in Bangalore and is promoted by Mr. Ajit Isaac. The company received initial round of private equity funding during February 2008 wherein India Equity Partners (IEP) acquired a stake in QCL for an investment of Rs.21.3 crore. During May 2013, Thomas Cook (India) Limited (TCIL), India's largest integrated travel company, acquired a 74.85% stake in QCL for a consideration of Rs.256 crore during February 2013. IEP had also exited QCL by selling its shares to TCIL as a part of this deal. As on date, TCIL has a stake of about 48.82% in QCL subsequent to various stake dilutions over the years.

During April 2018, the Board of Directors of QCL had approved the scheme of arrangement whereby the HR business of Thomas Cook India Limited (TCIL) (including shares in QCL held by TCIL) will be demerged to QCL through an NCLT process and the shareholders of TCIL will receive shares of QCL. This is subject to regulatory approvals. Pursuant to this scheme, TCIL shareholders will receive 1,886 shares of QCL (Rs.10 each) for every 10,000 equity shares (Rs.1 each) held in QCL. This arrangement will lead to overall public shareholding in QCL increasing from ~28% at present to ~45%. Further, existing the promoter of TCIL, Fairbridge Capital Mauritius Limited, would be classified as the promoter of QCL going forward.

QCL has acquired companies engaged in a variety of businesses over the last few years and currently operates various joint ventures and subsidiaries. On a consolidated basis, the company currently has over ~2,92,000+ associated employees under payrolls providing services to ~1,900+ clients. QCL provides services to clients operating across domains such as Retail, Information technology (IT), IT enabled services (ITeS), Consumer Durables, Telecom, Pharmaceuticals, Entertainment, FMCG etc.

MFX' key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	66.0	73.6
PAT (Rs. crore)	6.9	13.8
OPBDIT/OI (%)	9.3%	11.2%
RoCE (%)	51.5%	43.1%
Total Debt/TNW (times)	-	-
Total Debt/OPBDIT (times)	-	-
Interest coverage (times)	26.1	234.8

Source: company; OPBDIT: Operating Profit before Depreciation, Interest and Taxes; PAT: Profit After Tax; RoCE: Return on Capital Employed; TNW: Tangible Net Worth

QCL's key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	4,314.9	6,167.3
PAT (Rs. crore)	121.8	309.4
OPBDIT/OI (%)	5.5%	5.7%
RoCE (%)	15.6%	12.1%
Total Debt/TNW (times)	0.6	0.4
Total Debt/OPBDIT (times)	3.3	2.8
Interest coverage (times)	5.0	4.7

Source: QCL, ICRA research; OPBDIT: Operating Profit before Depreciation, Interest and Taxes; PAT: Profit After Tax; RoCE: Return on Capital Employed; TNW: Tangible Net Worth

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years				
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
				Apr 2019	Mar 2019				
1 Fund based/ CC	Long-term	6.0	-	[ICRA]AA (SO) (Stable)	[ICRA]AA (SO) (Stable)	[ICRA] AA- (SO) (Positive)	[ICRA]AA- (SO) (Stable)	[ICRA]AA- (SO) (Stable)	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based/ CC	NA	NA	NA	6.0	[ICRA]AA (SO) (Stable)

Source: company

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Mythri Macherla

+91 80 4332 6407

mythri.macherla@icraindia.com

Pavethra P

+91 44 4596 4314

pavethrap@icraindia.com

Resham Trivedi

+91 80 4332 6407

resham.trivedi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

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