



Aditya Birla MINACS Worldwide Limited

ICRA has reaffirmed rating assigned to Rs. 250 crore¹ Pass Through Certificates (PTCs) issued by Novo VIII Trust - Archie (Special Purpose Vehicle set up by IDBI Trusteeship Services Limited as its Trustee) at LAA+(SO)[†]. The PTCs are backed by proceeds of a Put Option written by Aditya Birla Nuvo Limited (ABNL / Put Option Provider) on certain zero coupon Compulsory Convertible Debentures (CCDs) issued by Aditya Birla MINACS Worldwide Limited (MINACS / Issuer). The reaffirmation of the PTC ratings follows ICRA's decision to reaffirm the ratings assigned to long term debt programme of ABNL at LAA+.

Instrument	Maturity	Amount (Rs. crore)	Rating Action
Pass Through Certificates	Jan 2012	250.0	Retained at LAA+(SO)

About the transaction structure

MINACS, an 88.28% subsidiary of ABNL, has issued CCDs of face value of Rs. 250 crore. The CCDs are convertible into common equity shares of the Issuer as per the conversion factor on the compulsory conversion date, which is at the end of 60 months from the issue date. The CCDs carry an embedded Put / Call Option in favour of ABNL, exercisable at the end of 24, 36, 48 or 60 months from the CCD Issue Date. Upon exercise of the Put Option, face value of the CCDs together with a pre-determined yield (for the entire period) is payable by ABNL, in exchange for delivery of the CCDs.

The CCDs—together with the Put Option on the same—have been sold by the Initial Subscriber to the SPV. The Trust has funded the purchase of the CCD through issue of the rated PTCs, which represent the undivided beneficial interest in the cashflow accruing to the Trust. As per the terms of the structure, the Trustee would necessarily invoke the option at the First Option Exercise date, i.e. at the end of the 24 months from the Issue Date. Upon the occurrence of certain events, for instance, default by the Put Option Provider on any of its debt, or the Issues not remaining a subsidiary of ABNL, there will be an early put option exercise by the Trustee. Overall, the transaction structure ensures that the PTCs carry the credit risk equivalent to that of the Put Option Provider, viz., ABNL.

About the Put Option Provider (ABNL)

ABNL, a flagship company of the Aditya Birla Group, has a diversified portfolio of businesses, including carbon black, viscose filament yarn (VFY), flax yarn and linen fabric, garments, fertilisers and insulators. ABNL reported net income of Rs. 4665 Crores and profit after tax of Rs. 285 crores during 9M FY11 on standalone basis. During the same period, garments, fertilisers and carbon black accounted for about 71% of standalone revenues and about 62% of standalone PBIT (profit before interest and tax). During 9M 2010-11, on consolidated basis, the company earned an operating income of Rs. 12951 crores compared to income of Rs. 11039 crores earned during 9M 2009-10. It posted net profit (before minority interest) of Rs. 574 crores during 9M 2010-11 compared to loss of Rs. 123 crores incurred during 9M 2009-10.

Over the past few years, ABNL, through its subsidiaries and joint ventures, has made successful forays through significant investments in life insurance (Birla Sun Life Insurance), telecom (Idea Cellular), IT/BPO (Aditya Birla Minacs), businesses, among others. ABNL is listed on the NSE and the BSE. The promoters' holding in the company as on 31st December 2010, is 52.30% including 1.25% GDRs.

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

¹100 lakh = 1 crore = 10 million



ICRA has rated the commercial paper (CP) programme cum short term debt availed of by ABNL at A1+¹. ICRA has also rated the long-term Non-Convertible Debenture (NCD) programme and certain long-term bank loan facilities availed of by ABNL at LAA+.

Key Financial Indicators for ABNL (Standalone; All amounts in Rs. crore)

Particulars	2007-08	2008-09	2009-10	9M 2010-11
Operating Income (OI)	3924	4786	4827	4665
OPBDIT	592	554	764	679
Profit After Tax (PAT)	207	102	279	285
Total Debt	2743	4499	3636	3384
Tangible Net worth	4024	4122	4662	5374
OPBDIT/OI	15.1%	11.6%	15.8%	14.6%
PAT/OI	5.3%	2.1%	5.8%	5.9%
Total Gearing	0.68	1.09	0.78	0.63

ABNL has LAA+ rating and A1+ rating for its various long-term and short-term debt programs respectively, from ICRA. The rating of A1+ is the highest-credit-quality rating assigned by ICRA to short-term debt instruments. Instruments rated in this category carry the lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1+ to reflect their relatively stronger credit quality.

The ratings take into account market leading position for its various manufacturing and services businesses, diversified revenue streams providing stability to cash flows and its conservative financial structure. ABNL enjoys strong financial flexibility by virtue of its position as premier company in A.V. Birla Group, strong business and financial profile of the group and large market value of its investments. The manufacturing businesses which include Carbon Black, Rayon, Fertilisers, Textiles and Insulators have been generating free cash flows on account of leadership position in some of the businesses and strong domain expertise. Fashion and Lifestyle (Branded Garments, High End Apparel Retailing and Contract Manufacturing) have turned around at an operating and net level during current financial year led by improved customer footfalls and various cost control initiatives. The IT/ITES business saw improvement in margins supported by increasing share of higher margin non-voice business led by recent acquisition in the financial services space and cost rationalisation initiatives undertaken by the company. As a result of the same, the business posted profits for the 9M 2010-11 period, though large capital deployment has led to suppressed return on capital employed. The Life Insurance business which has been generating accounting losses for the last few years posted profits during 9M 2010-11 on reduced new business growth (an industry-wide phenomena), as value of in-force business compensated for new business strain. ICRA however notes that, the ongoing regulatory changes for Unit Linked Insurance Plans may continue to have a dampening effect on life insurer's growth and margins over the medium term. Its telecom Joint Venture 'Idea' is in investment phase following 3G Auction and related capex, though the business is self-sustainable with no medium term funding requirements from ABNL. While some of the businesses, especially financial services, may require future funding support from ABNL; these are gradually progressing towards self sustainable mode. The financial profile of the company has strengthened following completion of capital infusion of Rs. 1000 crores by promoters. ICRA also derives comfort from ABNL's ability to raise equity capital, if required, to fund growth in its financial services business.



About the CCD issuer (MINACS)

MINACS, together with its subsidiaries, provides customized business process outsourcing (BPO) solutions focused on relationship management/contact centers, Marketing Solutions, knowledge and process outsourcing, finance and accounting outsourcing and IT. Minacs has over 18,000 employees and about 11000 operating seats at locations in North America, Europe, and Asia. It has established successful industry practices with clients in the manufacturing/automotive, banking, financial services, insurance, telecommunications, and technology verticals.

The business is divided between voice and non-voice (includes value added BPO services). While, the voice services which includes inbound & outbound voice support, account for about 75% of the revenues, the non-voice business complements the voice transaction. The company derives about 50% of its revenues from the auto sector and the majority of the balance from the financial services and technology sector. US and Canada account for about 87% of the revenue, 7% of revenue is garnered from Europe and the balance is generated from India. The BPO-IT business of ABNL supports over 100 clients (including 27 Fortune 500 companies) through 33 global delivery centers with about 11000 seats (about 4800 seats in North America, and about 6200 seats in Asia Pacific – India and Philippines) and about 18000 employees.

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