July 12, 2021 Revised

# Accelya Solutions India Limited: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long-term/Short-term fund-based facilities | 1.5 | 0.0 | - |
| Long-term/Short-term fund-based /non-fund-based facilities | 8.5 | 0.0 | - |
| Long-term/Short-term non-fund-based facilities | 6.7 | 4.9 | [ICRA]A+(Stable) [ICRA]A1+ reaffirmed |
| Short term, fund-based facilities | 1.3 | 0.0 | - |
| Total | **18.0** | **4.9** | |

**Instrument details are provided in Annexure-1*

# Rationale

The rating reaffirmation favourably factors in the healthy financial risk profile of Accelya Solutions India Limited (ASIL), its non-linear business model, strong focus and established clientele in the airlines vertical, supported by a professional and experienced management team. ASIL's healthy financial risk profile is evident from its strong operating profitability, debt-free status and strong liquidity position. The company's strong focus on the airlines vertical has helped it gain domain expertise and differentiate itself in the market place.

The ratings continue to remain constrained by the concentration of revenues on a few clients and in a single vertical (airlines), its modest scale of operations and its liberal dividend policy. Dependence upon a few clients has impacted the company's growth trajectory when it witnessed key client exits in the past. ASIL's total revenue from operations was impacted in FY2021[1], with revenue in 9M FY2021 recording degrowth of 41.4% YoY. The revenue was impacted because of significant decline in airline passenger traffic amid the pandemic. ICRA expects recovery in revenue in FY2022 with easing of travel restrictions across the globe, while revenue is still expected to remain below pre-Covid levels. Additionally, the limited market for outsourcing in the passenger revenue accounting space also constrains revenue growth.

The Stable outlook on the rating reflects ICRA's opinion that ASIL will continue to benefit from its track record of operations, established client base and healthy financial risk profile.

# Key rating drivers and their description

## Credit strengths

**Established presence in the airlines vertical and reputed clientele -** The company has operated for more than 30 years in the airlines vertical and has built a strong domain expertise, especially in the passenger revenue accounting (PRA) space, which helps it to compete effectively in the market. It, thus, has a reputed clientele across all major geographies.

[1] *ASIL follows a July to June financial year; 9M FY2021 refers to the July 2020–March 2021 period.*

**Non-linear business model with constant focus on innovation resulting in robust operating profitability -** ASIL's business model is based on its product/intellectual property rights (IPR) platform, which is non-linear and supports higher revenues without commensurate growth in employee numbers. Moreover, the company's business process outsourcing (BPO) model has become more mature with product innovations and enhancements over the years, further contributing to its efficiency gains. Thus, it has been able to maintain its robust operating profitability.

**Healthy financial risk profile -** The company's financial risk profile is healthy as reflected by its strong operating profitability, debt-free status (excluding lease liability) and strong liquidity. Despite its liberal dividend policy, ASIL has maintained adequate liquidity to fund its growth from internal accruals and ICRA does not expect the same to change.

## Credit challenges

**FY2021 revenue impacted by low airline passenger volumes amid the pandemic –** ASIL recorded total revenue from operation degrowth of 41.4%YoY in 9M FY2021 due to significant decline in airline passenger traffic volumes because of pandemic induced restrictions across the globe. As most of the company's revenue is principally based on per transaction pricing, the revenue linked to airline passenger transaction was impacted. ICRA expects recovery in revenue in FY2022, with easing of restrictions across the globe; but the same is expected to remain below pre-Covid levels.

**High customer concentration and lack of business diversity -** Although the company enjoys domain expertise and an established clientele in the airlines vertical, its customer concentration risk has remained high. Moreover, its growth trajectory was impacted earlier, when clients had exited due to competition or industry related risk factors. Furthermore, lack of business diversity remains a challenge.

**Liberal dividend policy constrains net worth and build-up of liquid reserves -** The company has maintained a liberal dividend policy since it was taken over by the Accelya Group in FY2012, which has constrained the accretions to net worth and accumulation of liquid reserves (cash and equivalents). The company has paid interim dividend of Rs. 35 per share leading to cash outflow of ~Rs. 52 crore in February 2021.

# Liquidity position: Strong

ASIL's liquidity is expected to remain strong, evidenced by its cash and liquid investments of Rs. 98.2 crore as on December 31, 2020. The company has paid interim dividend leading to outflow of ~Rs. 52 crore in February 2021. The company does not have any debt repayment obligation and major capex plans over the short to medium term. ICRA expects ASIL to maintain a comfortable liquidity cushion for managing daily operations and meeting working capital requirements; however, any disproportionate dividend pay-out in future will remain a key monitorable.

## Rating sensitivities

**Positive factors –** A ratings upgrade is unlikely unless there is significant improvement in scale of operations and meaningful business diversification while maintaining the financial risk profile.

**Negative factors –** Sustained decline in scale of operations such that there is considerable pressure on profitability and/or any disproportionate dividend pay-out constraining liquidity will be a key negative trigger.

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## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable Rating Methodologies** | Corporate Credit Rating Methodology<br>Rating Methodology for Entities in the Information Technology (IT) Services Industry |
| **Parent/Group Support** | Not applicable |
| **Consolidation/Standalone** | For arriving at the ratings, ICRA has considered the consolidated financials of ASIL. |

## About the company

Accelya Solutions India Limited (ASIL) is a leading solutions provider for the airlines and travel industry. The company has a strong presence in revenue accounting and management practice, which accounts for a major share of its overall revenues while the balance is driven by revenue recovery and protection (also known as audit services), and other services.

The Spanish entity, Accelya Holding (Accelya), backed by Chequers Capital, acquired ASIL from its erstwhile Indian promoters in FY2011. Subsequently, in February 2017, Warburg Pincus acquired 100% stake in the holding company of ASIL, i.e., Accelya, from Chequers Capital. Warburg Pincus, which held a majority stake in Mercator (a global provider of product-enabled solutions to the travel and transportation industry), subsequently announced Mercator's business merger with Accelya. During November 2019, Vista Equity Partners acquired 100% stake in Accelya Group Topco Limited, the ultimate holding company of ASIL, from Warburg Pincus.

## Key financial indicators (audited)

| ASIL Consolidated | FY2019 | FY2020 | 9M FY2021* |
|---|---|---|---|
| Operating Income (Rs. crore) | 433.0 | 412.0 | 204.6 |
| PAT (Rs. crore) | 106.4 | 86.8 | 23.8 |
| OPBDIT/OI (%) | 39.4% | 38.0% | 26.2% |
| PAT/OI (%) | 24.6% | 21.1% | 11.6% |
| Total Outside Liabilities/Tangible Net Worth (times) | 0.4 | 0.5 | - |
| Total Debt/OPBDIT (times) | - | 0.3 | - |
| Interest Coverage (times) | 433.7 | 28.2 | 15.8 |

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Note: Total Debt includes lease liability*

*Source: Company, ICRA Research; * Unaudited numbers. All ratios as per ICRA calculations*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding as of Mar 31, 2021 (Rs. crore) | Date & Rating in | Date & Rating in FY2021 | Date & Rating in FY2020 | | Date & Rating in FY2019 |
| | | | | | Jul 12, 2021 | July 3,2020 | Nov 27,2019 | Jun 14, 2019 | May 25, 2018 |
| 1 | Long term/Short term fund-based limits | Long-term and short term | - | - | - | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ |
| 2 | Long term/Short term fund based /non-fund-based limits* | Long-term and short term | - | -- | - | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ |
| 3 | Long term/Short term non-fund-based limits | Long-term and short term | 4.9 | - | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ | [ICRA]A+/ (Stable)/ [ICRA]A1+ |
| 4 | Short term, fund-based facilities | Short term | - | - | - | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |

*&= Under watch with developing implications*

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Long Term / Short Term - Non-Fund Based | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

### 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 | Long term/Short term non-fund-based limits | - | - | - | 4.90 | [ICRA]A+(Stable)/[ICRA] A1+ |

***Source:*** *Company*

### Annexure-2: List of entities considered for consolidated analysis

| Company Name | ASIL Ownership | Consolidation Approach |
|---|---|---|
| Accelya Solutions America Inc. | 100.00% | Full Consolidation |
| Accelya Solutions UK Limited | 100.00% | Full Consolidation |

***Source:*** *ASIL annual report FY2020*

## Corrigendum

Document dated July 12, 2021 has been corrected with revisions as detailed below:

a) Revision on Page 3 in the about the company section – The name of ultimate holding company of ASIL has been corrected

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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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