

## Accelya Kale Solutions Limited

Instrument	Amount In Crore	Rating Action
Total long-term/short-term fund based limits	1.5	[ICRA]A+/[ICRA]A1+ reaffirmed/re-assigned
*Total long-term/short-term fund based /non-fund based limits	8.5	[ICRA]A+/[ICRA]A1+ reaffirmed/assigned
LT/ST scale non-fund based limits	6.7	[ICRA]A+/[ICRA]A1+ reaffirmed
Long term, fund-based facilities (Cash Credit)	0.0 ( PY 1.5)	
Short term, fund based facilities	1.3 (PY 9.8)	[ICRA]A1+ reaffirmed

Source: ICRA, Interchangeable between CC and EPC/EBD and Credit Exposure limits to the extent of Rs.8.5 crore

The rating for the, Rs. 6.7 crore<sup>1</sup> long-term/short-term fund non-fund based limits and Rs. 8.5 crore long-term/short-term, non-fund based/fund based facilities facilities of Accelya Kale Solutions Limited (Accelya Kale), has been reaffirmed at [ICRA]A+ (pronounced ICRA A plus) and [ICRA]A1+(pronounced ICRA A one plus). The rating for the Rs. 1.5 crore long-term facilities has been reassigned to [ICRA]A+/[ICRA]A1+ from [ICRA]A+ as the facility will now be rated both on long-term /short-term scale. The rating for the Rs. 1.3 crore short-term fund-based facilities has also been reaffirmed at [ICRA] A1+<sup>2</sup>. The outlook on the long term rating is stable.

The ratings reaffirmation takes into account the healthy financial risk profile as evident from its strong operating profitability, debt free status and strong free cash flow generation from operations. The company's profitability remains strong supported by its non-linear business model with focus on innovation and operational efficiency. ICRA also draws comfort from its status as a neutral service provider which enhances its competitive position against peers owned by leading airlines. The ratings continue to factor in the professional and experienced management team in place, its strong focus on airlines vertical and an established clientele in airline domain. ICRA continues to take note of Accelya Kale's annuity based pricing model, which imparts stability to its revenue stream. The combined synergies with Accelya, which also caters to the airlines industry shall continue to benefit Accelya Kale through opportunities for cross selling.

The strengths are partially offset by concentration of revenues on a few customers and a single vertical (airlines). Dependence upon few customers has impacted growth in the past fiscal, the company had witnessed de-growth in FY 2015 on account of transitioning out of one of its significant customers since the contractual arrangement with the customer ended in FY 2014. Increasing competitive intensity and pricing pressures for new contracts is expected to remain a key challenge. On account of minor revenue growth during H1, FY 2016, the operating margins were under pressure on account of lower absorption of fixed overhead costs, nevertheless, they remain strong. Despite strong cash flow generation from operations, ICRA believes that Accelya Kale's continuation of high dividend payouts (more than 100%) will constrain its accretions to net worth and accumulation of liquid reserves (cash and equivalents). Also though receivable cycle from one of its clients is longer than the company average, however, as per the management, the recovery of the same continues to remain steady. The scale of operations of Accelya Kale remains relatively modest owing to limited market for outsourcing in airlines services space, thereby restricting the benefits of economies of scale and diversification. The rating also factors in challenges of exposure to foreign exchange fluctuations and management of employee attrition.

<sup>1</sup> Rs. 100 lakh = Rs. 1 crore = Rs. 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

Going forward, the financial risk profile is expected to remain adequate on account of its strong operating profitability and no major debt capital expenditure planned in the medium term nevertheless liquid reserves (cash and equivalents) shall remain sensitive to the level of dividend payouts.

### **Company Profile**

Accelya Kale Solutions Limited (Accelya Kale), formerly Kale Consultants Limited is a leading solutions provider for the Airline and Travel industry. In 1986, Mr. Narendra Kale promoted Kale Consultants Private Limited along with Mr. Vipul Jain with the vision of creating application software products. The company became a public limited company in 2000 and was renamed Kale Consultants Limited. Currently, the airlines vertical contributes to almost all its revenues. Accelya Kale has a strong presence in Revenue Accounting and management practice which accounts for 70% of the airlines vertical revenues and balance from revenue recovery and protection services (also known as audit services) and other services.

In September 2010, Spanish based Accelya signed an agreement with Kale's promoters in September, 2010, whereby Accelya, would completely buy out the promoters' equity stake (35.6%). Post the above event, as per Securities Exchange Board of India (SEBI) norms, the open offer was completed in December, 2010 through which Accelya acquired a 34.56% stake. As on December 31, 2014, Accelya holds a controlling stake of 74.66% in Accelya Kale. At present Accelya Kale is headed by Mr. Phillippe Lesueur who is the Chairman, with Ms. Neela Bhattacharjee being the Managing Director. Mr. Phillippe Lesueur is also the Chairman of Accelya Holding World SL.

### **Recent results:**

In FY 2015, as per audited results, the company reported consolidated revenues of Rs. 303.9 crore (over Rs.318.4 crore in FY 2014) and a net profit after tax (PAT) of Rs.67.4 crore (over Rs. 83.9 crore in FY 2014). In H1, FY 2016 company had an operating income of Rs 163.4 crore and a PAT of Rs. 35.9 crore.

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*For further details, please contact:*

#### Analyst Contacts:

**Mr. Subrata Ray** (Tel. No. +91 22 6114 3408)  
subrata@icraindia.com

#### Relationship Contacts:

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500