



March 11, 2010

ICRA assigns LBB/A4 ratings to the bank lines of Acropetal Technologies Limited

ICRA has assigned an LBB (pronounced L double B) rating in the long term to the Rs. 833 million fund based limits of Acropetal Technologies Limited (ATL). ICRA has also assigned an A4 (pronounced A four) rating in the short term to the Rs. 250 million fund based limits of Acropetal[†].

The rating takes into account the company's modest scale of operations, high working capital intensity stemming from its stretched receivable days, which has resulted in strained cash flows and consequent delay in debt servicing in the past. The rating also factors in the company's significant client concentration risk, and its inorganic expansion plans which could lead to high funding requirements in the medium term. The rating also takes into account the industry specific risks such as employee attrition, and adverse movements in foreign exchange. However ICRA draws comfort from the experienced and professional management, robust revenue growths and strong operating profitability.

Company Profile:

Established in 2001, Acropetal Technologies Limited was earlier involved in providing Engineering Design Services. From 2006 onwards, the company started offering information technology services. The software services segment is the primary business segment in the company now accounting for approx. 64% of revenues in 2008-09. The company also won the STPI award for "High Growth in Small and Medium Business Unit" by the Software Technology Parks of India (STPI) and Department of IT & BT Karnataka for the year 2008-09.

Acropetal has a team of about 493 professionals providing software services and Engineering Design Services to various clients across USA, Middle East and Europe. Acropetal reported a net profit of Rs. 189.2 million on an operating income of Rs. 971 million in 2008-09 as against a net profit of Rs. 130.6 million on an operating income of Rs. 603.1 million in 2007-08.

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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

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