



Press Release

E Centric Digital Limited (E Centric)

June 21, 2023

Ratings:

(INR Crore)				
Instrument / Facility	Amount	Ratings	Rating Action	<u>Complexity Indicator</u>
Long term - Fund based limit – Cash Credit	1.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short term – Non fund-based limit – Bank Guarantee	14.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Proposed Long term - Fund based limit – Cash Credit	10.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Proposed Non fund-based limit – Bank Guarantee	15.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	40.00 (Rupees Forty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of E Centric Digital Limited (E Centric) reflects the experienced promoters & qualified management team, increase in the scale of operations, reputed clientele, and proven projects execution capability. However, the rating is also constrained on account of the moderate profitability, capital structure and debt coverage indicators, working capital intensive nature of operation, competition from major players in the industry along with technology obsolescence risk.

Key Rating Sensitivities:

Upward Factors:

- A sustained improvement in the revenue while maintaining the profitability and debt protection metrics

Downward Factors:

- Any significant decline in revenue and/or profitability impacting the debt protection metrics or liquidity.



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Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters & Qualified management team

The company is promoted by the US based Quantela Inc. managed by Mr. Gadhi Sridhar Raju have nearly two decades of experience in the IT industry. The company also has professional team with relevant experience who ably supports the day-to-day operations of the company.

Increase in scale of operations albeit moderation in profitability

The company registered an increase in the total operating income of ~60% to Rs.255.78 crore (FY21 : Rs.158.80 crore) from operations which was distributed largely from the contractual from a major project. Furthermore, the company registered range bound margins, as indicated by the EBITDA margin of 5.90% (FY21 : 5.18%) and PAT margin of 1.60% (FY21 : 3.01%). In the upcoming years with the profits of the aforementioned project coming in, the company is expected to register better profitability.

The scale of operations moderated to Rs.63.43 crore registered in 11MFY23 on account of the full realization and completion of the major project in the year FY22 itself. Also the timely start of the receipt of the funds from the Safe Kerela project will remain a key rating monitorable.

Reputed clientele and proven projects execution capability

E-Centric is engaged in IT sector and has entered into multi partite agreement with SRIT Technologies, a Dubai based IT company, Paradigm Solutions Private Limited, etc. The company has availed and executed major order such as Safe Kerela Project and is executing various Smart City transformation projects availed from reputed clientele, such as Larsen and Toubro Private Limited, Bharat Electronic Limited, etc. translating to lower counter party risk.

➔ Key Rating Weaknesses:

Moderate capital structure and debt coverage indicators

E-Centric's capital structure has remained moderate marked by overall gearing of 4.10x as at FY22 end (FY21 : 2.89x), due to major funding coming from debt and lower equity base of the company. Also the company registered an interest coverage ratio of 3.67x (4.57x).

Working capital intensive nature of operation



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The company's working capital remained elongated as indicated by the operating cycle of around 200 days for the year ended on March 31, 2022. This stretched working capital cycle of the company was on account of the nature of the business wherein the company earns contractual revenue from its projects, which will be due on a later period. These stretched debtors are then funded through creditors. Simultaneously the current ratio and the quick ratio of the company remained near unity at 1.05x respectively for the year ended on March 31, 2022 (FY : 1.01x).

Competition from major players in the industry along with technology obsolescence risk.

E-Centric faces stiff competition from large industry players impacting its pricing flexibility; in addition to the ability of the company to acquire new customers also. The company's modest scale of operations restricted its operational and financial flexibility to an extent. Any adverse technological changes would have an adverse impact on the revenues of company. In spite facing stiff competition, E-Centric has won various smart city projects.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

E-Centric's liquidity remains stretched due to loan repayments to the tune of Rs.5.50 crore to Rs.13 crore for the year FY23 – FY25, vis-à-vis the gross cash accruals of average Rs.15 crore for the same period. Furthermore, the company availed sanctioned fund-based limits and made almost full utilization of the same. The company also availed non fund based working capital limits of Rs.29 crore. The utilization of the same remained at around 50%. The company's working capital remained elongated as indicated by the operating cycle of around 200 days for the year ended on March 31, 2022. This stretched working capital cycle of the company was on account of the nature of the business wherein the company earns contractual revenue from its projects, which will be due on a later period. These stretched debtors are then funded through creditors. Simultaneously, the current ratio and the quick ratio of the



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About the Company:

Incorporated in July 2014 as Varasiddhi Sai Food Services Private Limited with its registered office in Hyderabad later on name changed to E centric HR Solutions Private Limited on Oct 12, 2015. E centric HR Solutions Private Limited was then demerged with a change in name to E – Centric Digital Private Limited in September 11, 2020. In Oct 2022, the company then changed its constitution to Public Limited company, which is now engaged in providing / building AI solutions and other analytical platforms.

Financials:

(INR Crore)

For the year ended/ As On	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	158.80	255.91
EBITDA	8.22	15.10
PAT	4.78	4.11
Total Debt	19.95	42.75
Adjusted Tangible Net-worth	6.91	10.42
Ratios		
EBITDA Margin (%)	5.18	5.90
PAT Margin (%)	3.01	1.60
Overall Gearing Ratio (x)	2.89	4.10

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Long term - Fund based limit – Cash Credit	Long Term	1.00	IVR BB+; Stable	--	--	--
2	Short term – Non-fund-based limit –	Short Term	14.00	IVR A4+	--	--	--



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	Bank Guarantee						
3	Proposed Long term - Fund based limit – Cash Credit	Long Term	10.00	IVR BB+; Stable	--	--	--
4	Proposed Short term Non-fund-based limit – Bank Guarantee	Short Term	15.00	IVR A4+	--	--	--

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities:



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term - Fund based limit – Cash Credit	--	--	--	1.00	IVR BB+; Stable
Short term – Non-fund-based limit – Bank Guarantee	--	--	--	14.00	IVR A4+
Proposed Long term - Fund based limit – Cash Credit	--	--	--	10.00	IVR BB+; Stable
Proposed Short term Non-fund-based limit – Bank Guarantee	--	--	--	15.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ECentric-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com/>.