E Centric Digital Limited (EDL)
October 28, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	12.00 (Increased from Rs. 11.00 crore)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB+; Negative; ISSUER NOT COOPERATING* (IVR Double B Plus; Negative Outlook; ISSUER NOT COOPERATING*)	Reaffirmed, Outlook revised, removed from ISSUER NOT COOPERATING category	Simple
Short term Facilities	49.00 (Increased from Rs. 29.00 crore)	IVR A4+ (IVR A Four Plus)	IVR A4+; ISSUER NOT COOPERATING* (IVR A Four Plus; ISSUER NOT COOPERATING*)	Reaffirmed, removed from ISSUER NOT COOPERATING category	Simple
Total	**61.00 (Rupees Sixty-One Crore only)**				

**Issuer Not co-operating, based on best available information*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The affirmation of the ratings assigned to the bank facilities of E Centric Digital Limited (EDL) by Infomerics reflects the comfortable scale of operations and profitability backed by the merger of domestic operations of Terracis Technologies Limited (erstwhile ILFS Technologies Limited) (TTL) in EDL with the effective date of May 14, 2024. The ratings take cognizance of the expected operational synergies from the aforementioned merger. Further, the ratings continues to derive strength from comfortable capital structure and debt coverage indicators, experienced promoters & qualified management team and reputed clientele and proven projects execution capability. The ratings, however, remained constrained on account of working capital-intensive nature of operation, competition from major players in the industry along with technology obsolescence risk.

The rating was migrated to ISSUER NOT COOPERATING category as the company had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, EDL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

Stable outlook reflects comfortable order book position and expected synergies from the takeover of the domestic assets and liabilities of a major company engaged in the similar line of business.

Key Rating Sensitivities:

Upward Factors

- A sustained & substantial improvement in revenue with increase in profitability and debt protection metrics
- Established synergies of the takeover of the domestic market of TTL backed with overall improvement in the operational and financial performance.

Downward Factors

- Any significant decline in revenue and/or profitability impacting the debt protection metrics or liquidity
- Adverse impact of takeover of the business of TTL, with the increase in the debt levels and decline in the overall performance of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Comfortable scale of operations and profitability backed by the merger of TTL domestic business in EDL

The company registered total operating income of Rs 257.25 crore in FY24 (Provisional) (refers to the period from April 01, 2023 to March 31, 2024) mainly backed by the merger of domestic operations and orders of TTL into EDL, simultaneously the company reported a PAT of Rs.10.53 crore in FY24 (Provisional). Being engaged in the IT industry, the tenders bid are availed on the basis of Quality and Cost based Selection (QCBS) system. Therefore, to earn better profitability, and due to the expected change of name to TTL post-merger, all the orders bid and executed post FY23 (refers to the period from April 01, 2022 to March 31, 2023), was in the name of TTL and not in the name of EDL.

Comfortable capital structure and debt coverage indicators

EDL's capital structure has remained comfortable, as indicated by the overall gearing of 0.35x and moderate TOL/TNW ratios of 2.18x as on March 31, 2024 (Provisional). The debt coverage indicators also remained comfortable with the interest coverage ratio of 3.17x and total debt to NCA of 2.92x.

The capital structure and the debt coverage indicators are backed by the addition of the TTL's networth, the effect of which is partially offset by the addition of the domestic debt of TTL to EDL.

Experienced promoters & qualified management team

The company is promoted by the USA based Quantela Inc. managed by Mr. Gadhi Sridhar Raju have nearly two decades of experience in the IT industry. The company also has a professional team with relevant experience who ably supports the day-to-day operations of the company. Post the merger, around 200 employees of TTL with similar experience has been absorbed by EDL.

Reputed clientele and proven projects execution capability

EDL is engaged in IT sector and is engaged in various smart city projects with various government and private bodies. In the past the company has successfully executed various projects such as 'Safe Kerela Project'. As on March 31, 2024, the company has unexecuted order book position of around Rs.1281.45 crore distributed amongst 24 orders which has been availed from various government bodies, depicting lower counter party credit risk.

Expected operational synergies post acquiring the domestic orders and credentials of TTL

EDL has acquired the domestic market of a major company engaged in similar line of business. Post the merger, the company has availed the credentials of TTL. Being a part of the IT sector, where the tenders are offered through QCBS system, EDL aims to receive orders at better pricing and profitability. However, getting benefitted from the operational synergies depicted from the increase in the scale of operations and profitability, will remain a key rating monitorable.

Key Rating Weaknesses

Working capital intensive nature of operation

The company's working capital remained elongated as indicated by the operating cycle of around 175 days for the year ended on March 31, 2024. The company has stretched collection cycle of over 300 days, which is partially funded through the stretched creditors days of around 165 days. 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.

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

EDL 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 the company. In spite facing stiff competition, EDL has won various smart city projects.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria for assigning Rating outlook

Policy on issuer not co-operating category

Policy on Default Recognition and post default curing period

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

EDL's liquidity remains adequate, supported by sufficient gross cash accruals above Rs.29.00 crore projected for the period FY25-FY27 against the repayments in the range of Rs.3.00-6.00

crore. The company has utilized fund-based sanctioned limits, with maximum utilization remaining moderate over the 12 months ending on June 30, 2024. Both the current ratio and quick ratio remained above unity at 1.46x & 1.42x respectively as on March 31, 2024. The company also had free cash and bank balance of Rs.5.49 crore as on 31st August 2024. Also the working capital cycle remained stretched at around 175 days as on March 31, 2024.

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 October 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 changed its constitution to Public Limited company, which is now engaged in providing / building AI solutions and other analytical platforms. EDL has with effect from May 2024, acquired the domestic business of the company TTL, which is engaged in the similar line of business. The company is also planning to change its name to TTL in the near future, this name change has already been approved by NCLT.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	85.79	257.25
EBITDA	9.31	26.64
PAT	1.00	10.53
Total Debt	59.53	53.72
Tangible Net Worth	11.87	151.98
Ratios		
EBITDA Margin (%)	10.85	10.36
PAT Margin (%)	1.16	4.07
Overall Gearing Ratio (x)	5.02	0.35
Interest Coverage (x)	1.27	3.17

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					August 16, 2024	**(June 21, 2023)**	-	-
1.	Cash Credit	Long Term	11.00	IVR BB+ / Stable	IVR BB+; Negative; ISSUER NOT COOPERATING*	IVR BB+; Stable	-	-
2.	Proposed Cash Credit	Long Term	1.00	IVR BB+ / Stable	IVR BB+; Negative; ISSUER NOT COOPERATING*	IVR BB+; Stable	-	-
3.	Bank Guarantee	Short term	14.00	IVR A4+	IVR A4+; ISSUER NOT COOPERATING*	IVR A4+	-	-
4.	Proposed Bank Guarantee	Short term	35.00	IVR A4+	IVR A4+; ISSUER NOT COOPERATING*	IVR A4+	-	-

* *Issuer did not cooperate; based on best available information*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	11.00	IVR BB+ / Stable
Proposed Cash Credit					1.00	IVR BB+ / Stable
Bank Guarantee	-	-	-	-	14.00	IVR A4+
Proposed Bank Guarantee	-	-	-	-	35.00	IVR A4+

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-ECentric-oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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 www.infomerics.com.