



Press Release

NextNode Solutions Private Limited

November 14th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	21.50 (Enhanced from Rs. 11.50 Cr.)	IVR BB/Stable (IVR Double B with Stable Outlook)	IVR B+/Stable (IVR Single B Plus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	39.50 (Enhanced from Rs. 9.50 Cr.)	IVR A4+ (IVR A Four Plus)	IVR A4 (IVR A Four)	Upgraded	Simple
Total	61.00	(Rupees Sixty-One Crore only)			

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

Infomerics Ratings has upgraded its rating assigned to the bank facilities for the long-term facilities to IVR BB with stable outlook and for the short-term facilities to IVR A4+ of NextNode Solutions Private Limited.

The rating upgradation is on account of augmentation in scale of operations albeit thin profitability margins coupled with the improvement in capital structure and debt protection metrics. The rating also factors in the experience of the promoters and management along with the diversified customer profile. However, these rating strengths are partially offset by competition from major players in the industry and there also exists an inherent risk of technology obsolescence.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that NextNode Solutions Private Limited will continue to benefit on account of stable outlook for educational services.

IVR has principally relied on the standalone audited financial results of NextNode Solutions Private Limited up to 31st March 2024 (refers to period April 1st, 2023, to March 31st, 2024) results and projected financials for FY25, (refers to period April 1st, 2024, to March 31st, 2025) FY26 (refers to period April 1st, 2025, to March 31st, 2026) and FY27 (refers to period April



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1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics and capital structure.
- Improvement in the capital structure with further improvement in TOL/ TNW to be maintained below 2x on sustained basis.

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to a decline in debt protection metrics and capital structure.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

- **Experienced promoters and management**

Mr. Amin V. Atul Bhai is the director of the company and has an overall experience of more than two decades. Along with him Mr. Shradul M. Patel who has an overall experience of 16 years and Mr. Ajay S. Patel who has an overall experience of 16 years manage the operations of the company. They have relevant experience in the industry and are supported by experienced middle management.

- **Diversified customer profile**

The company has diversified customer profile. The top 5 customers accounted for around 64% of total operating income in FY2024. Thus, catering to an array of a diversified customer base in the industry. As per management, ~80% of the projects that the company executes belongs to government and PSUs and ~20% to private.

- **Augmentation in scale of operations albeit thin profitability margins**

TOI of NextNode Solutions Private Limited (NSPL) has increased by ~17% in FY24 i.e. from Rs. 97.18 Crore in FY23 to Rs. 114.12 Crore in FY24, due to increase in booking of orders in FY24. EBITDA increased from Rs. 1.94 crore in FY23 to Rs. 4.45 Crore in FY24. However,



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EBITDA Margin increased by 190 bps from 2.00% in FY23 to 3.90 bps in FY24, due to increase in margin earned on executed projects. PAT increased from Rs. 0.44 crore in FY23 to Rs. 2.33 Crore in FY24. PAT Margin increased by 156 bps from 0.45% in FY23 to 2.02 bps in FY24, in line with EBITDA Margin. Gross Cash Accrual increased from Rs. 0.47 Crore in FY23 to Rs. 2.45 Crore in FY24.

- **Improvement in capital structure and debt protection metrics**

The capital structure of the company has improved marked by Overall Gearing Ratio of 1.10 times as on 31-Mar-2024 as against 4.64 times as on 31-Mar-2023. Tangible net worth stood at Rs. 10.94 Crore with an equity infusion in FY24 amounting Rs. 6.20 crore as against the total debt of Rs. 12.07 Crore of the company in Mar 31, 2024. The total indebtedness of the company as reflected by TOL/TNW stood at 2.09x as on 31-Mar-24 (P.Y. 7.91x as on 31-Mar-23). Total Debt to GCA improved to 4.93 years in FY24 (P.Y. - 23.64 years); improved on account of increase in GCA as on March 31, 2023. The debt protection metrics stood moderate with ISCR at 1.76x as on 31st Mar'24 (P.Y. 0.83x as on 31st Mar'23) and DSCR stood at 1.97x as on 31st Mar'24 as against 1.20x as on 31st Mar'23.

B. Key Rating Weaknesses

- **Competition from major players in the industry**

The company is facing significant challenges in a highly competitive market where large industry players dominate, thereby limiting its ability to adjust pricing without sacrificing margins. This pricing pressure, combined with the scale and resources of these bigger competitors, makes it difficult for the company to attract and retain customers at competitive rates.

- **Technology obsolescence risk**

In the software industry, technology obsolescence risk is a significant challenge that the company must continuously manage. The rapid pace of technological advancements means that software products and services can quickly become outdated. This risk can undermine a company's market position and customer base.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Service Sector Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity – Adequate

The liquidity profile of NextNode Solutions Private Limited is expected to remain adequate on the expectation that cash accruals will be sufficient to pay off the current portion of long-term debts. Further, the average utilisation of its fund based working capital limit remains moderate at 76.12% during the past 12 months ended August 2024. Current ratio is 1.07x as on March 31, 2024. The unencumbered cash and bank equivalents stood at Rs. 0.10 crore as on 31st Mar'24. The cash conversion cycle in FY24 is 33 days (FY21: 41 days). The inventory holding period is of 9 days in FY24 (FY23: 14 days). The average creditors period is of 29 days in FY24 (FY23: 32 days). The average collection period is of 53 days in FY24 (FY23: 59 days).

About the Company

NextNode Solutions Private Limited was established in year 2018. The company carries out the business of system study, analysis, design, coding, testing, documentations, development and implementation of software relating to commercial and non-commercial usages through the use of various magnetic media, digital media & internet and to render service related to providing information systems solutions and business multimedia and other information technology enabled services and provides turn key solution for the same and also provides software solutions such as designing, building and managing E-Governance, ICT (Information and Communication Technology), Power and other utility infrastructure solutions.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	97.18	114.12
EBITDA	1.94	4.45
PAT	0.44	2.33
Total Debt	11.21	12.07
Tangible Net Worth	2.42	10.94
EBITDA Margin (%)	2.00	3.90
PAT Margin (%)	0.45	2.02
Overall Gearing Ratio (x)	4.64	1.10
Interest Coverage (x)	0.83	1.76

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2023-24	Date(s) & Rating (s) assigned in 2022-23	Date(s) & Rating (s) assigned in 2021-22
					June 27, 2024	August 23, 2023	-	-
1.	Fund Based Limits	Long Term	21.50	IVR BB/Stable	IVR B+/Stable	IVR B/Stable	-	-
2.	Non-Fund Based Limits	Short Term	39.50	IVR A4+	IVR A4	IVR A4	-	-



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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.

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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	-	-	-	-	11.50	IVR BB/Stable
Proposed Cash Credit	-	-	-	-	10.00	IVR BB/Stable
LC/BG	-	-	-	-	9.50	IVR A4+
Proposed short term facility	-	-	-	-	30.00	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-NextNode-nov24.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.