



## Press Release

### **Terracis Technologies Limited (erstwhile E Centric Digital Limited)** **(TTL)**

**January 29, 2025**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Facilities	12.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Rating downgraded	Simple
Short term Facilities	49.00	IVR A4 (IVR A Four)	IVR A4+ (IVR A Four Plus)	Rating downgraded	Simple
<b>Total</b>	<b>61.00</b> <b>(Rupees Sixty-One Crore only)</b>				

**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 downgrade of the rating assigned to the bank facilities of Terracis Technologies Limited [erstwhile E Centric Digital Limited (EDL)] (TTL) by Infomerics reflects subdued financial performance in the first nine months of FY 25 [refers to period April 1, 2024, to Mar 31, 2025] post recent merger.

The ratings continues to factor in expected operational synergies from the merger, experienced promoters & qualified management team and reputed clientele and proven projects execution capability. The ratings, however, remained constrained on account of moderate capital structure, working capital-intensive nature of operation, competition from major players in the Industry along with technology obsolescence risk.

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**



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- 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 albeit thin profitability**

The company registered total operating income of Rs.244.09 crore in FY24 (Audited) (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, however the company reported thin profitability as depicted by PAT of Rs.1.84 crore in FY24 (Audited). 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 previous name, ie. EDL. In 9MFY25 the company has reported almost stable scale of operations as depicted by TOI of Rs.220.23 crore, against which the company continued to report thin profitability as depicted by PAT of Rs.4.69 crore for the period. However, 9MFY25 performance is not as projected.

##### **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 previous TTL with similar experience has been absorbed by the rated company, as a part of the merger.

##### **Reputed clientele and proven projects execution capability**

TTL is engaged in IT sector and is engaged in various smart city projects with various government and private bodies. 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.



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### **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**

#### **Moderate capital structure and poor debt coverage indicators**

TTL's capital structure has remained moderate, as indicated by the TOL/TNW ratios of 3.88x as on March 31, 2024 (Audited). However, the overall gearing ratio remained comfortable at 0.81x. Due to the thin profitability the company reported poor debt protection metrics as indicated by the interest coverage ratio of 1.30x and total debt / EBITDA margin of 4.70x.

#### **Working capital intensive nature of operation**

The company's working capital remained elongated as indicated by the operating cycle of around 222 days for the year ended on March 31, 2024. The company has stretched collection cycle of over 330 days, which is partially funded through the stretched creditors days of around 107 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.**

TTL 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, TTL has won various smart city projects.

### **Analytical Approach: Standalone**



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### 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 – Stretched**

TTL's liquidity remains stretched with projected cash accrual matching tightly with the upcoming repayments. 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 as on March 31, 2024, due to the elongated collection cycle. Also the working capital cycle remained stretched at around 222 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. The previous company EDL has with effect from May 2024, acquired the domestic business of the company TTL, which is engaged in the similar line of business.

### Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	266.80	244.09
EBITDA	23.82	12.48



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For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
PAT	0.75	1.84
Total Debt	59.20	58.72
Tangible Net Worth	88.73	72.23
<b>Ratios</b>		
EBITDA Margin (%)	8.93	5.11
PAT Margin (%)	0.28	0.73
Overall Gearing Ratio (x)	0.67	0.81
Interest Coverage (x)	2.54	1.30

\* Classification as per Infomerics' standards.

The financials have been restated from appointed date i.e. April 01, 2022, leading to difference in the financials published in press release dated October 28, 2024.

**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
					October 28, 2024	August 16, 2024	(June 21, 2023)	-	-
1.	Cash Credit	Long Term	11.00	IVR BB / Stable	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+ / Stable	IVR BB+; Negative; ISSUER NOT COOPERATING*	IVR BB+; Stable	-	-
3.	Bank Guarantee	Short term	14.00	IVR A4	IVR A4+	IVR A4+; ISSUER NOT COOPERATING*	IVR A4+	-	-
4.	Proposed Bank Guarantee	Short term	35.00	IVR A4	IVR A4+	IVR A4+; ISSUER NOT COOPERATING*	IVR A4+	-	-





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*\* 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.

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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	-	-	-	-	11.00	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-terrakis-jan25.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](http://www.infomerics.com).