Press Release

Paradigmit Technology Services Private Limited (Erstwhile E Centric Solutions Private Limited)

April 05, 2024

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB | Stable | Upgraded	-
Bank Loan Ratings	22.00	-	ACUITE A3+ | Upgraded
Total Outstanding Quantum (Rs. Cr)	42.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB (read as ACUITE triple B)** from **'ACUITE BB+(read as ACUITE double B plus)** and its short-term rating to **'ACUITE A3+ (read as ACUITE A three plus)** from **'ACUITE A4+ (read as ACUITE A four plus)** on its Rs.42 Cr. bank facilities of Paradigmit Technology Services Private Limited (PTSPL). The outlook is **'Stable'.**

Rationale for rating upgrade:
The upgrade of rating considers improving operations post demerger of smart city development segment, comfortable financial risk profile, healthy orders portfolio and adequate liquidity. The company has registered revenue of Rs.279.15Cr in FY23 posting a growth rate of 60 percent over FY22 revenue of Rs.174.05Cr primarily supported by healthy order flow during last year and further registered revenue of ~Rs.215Cr till January 2024. Revenue of the group is further expected to improve over the medium term owing to its healthy recurring orders in hand of ~Rs.312Cr. The operating profit margin has deteriorated to 7.03 percent in FY23 on account of job work charges relating to smart city segment. However, the rating is constrained by moderate customer concentration risk on the revenue profile and moderate intensive working capital operations.

About the Company

Paradigmit Technology Services Private Limited (PTSPL), incorporated in 2002, is a Hyderabadbased company promoted and managed by Mr. G Sridhar Raju. PTSPL is engaged majorly in providing end-to-end IT and Non-IT staffing solutions to government entities and corporates. It is also engaged in e-governance projects in India and off-shoring solutions ranging from strategy consulting, business analysis, project management, software development, among others.

Unsupported Rating
Not Applicable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of PTSPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive industry experience of the promoters, established t rack record, and healthy order book providing near term revenue v isibilit y.

Started as a private limited company by Mr. Gadhi Sridhar Raju, Gadhi Annapurna Venkata and Rudraraju Prasada Raju Venkata Vara in 2002, ECS's management has nearly 2 decades of experience in IT industry, primarily in Software and Web Application Development. PTSPL's successful track record in both IT and Non-IT solutions segment, coupled with its diverse service offerings, helped the company to efficiently source and mobilise large manpower and aided in establishing a wide customer base with several reputed private corporates, MNCs as well as government departments/entities of various states. PTSPL currently has Rs.312Cr of recurring orders to be executed in next 12 months. This provides similar order book and ensures steady flow of revenue over the medium term. . Acuite believes that extensive experience of promoters and healthy order book position will continue to benefit the company over the medium term.

Improving scale of operations:

The revenue of the company has improved to Rs.279.15Cr in FY23 registering a growth rate of 60 percent on the previous year's revenue of Rs.174.05Cr. Improvement in revenue is mainly on account of healthy order flow during the year. The company usually receives repetitive orders as per the agreement entered with existing large clientele which provides healthy revenue visibility of Rs.300-315Cr per year over the medium term. Further, the company has registered revenue of ~Rs.215Cr till January 2024 and expected to close the year with revenue of Rs.290-295Cr.

The operating profit of the company has declined to 7.03 percent in FY23 from 9.82 percent of previous year. The decline in margin is mainly on account of job work expenses relating to smart city project. PAT margin stood at 3.31 percent in FY23 against 4.07 percent in FY22. Going forward the revenue of the company is likely to improve on account of healthy order portfolio while EBITDA margin is expected to remain stable.

Moderate financial risk profile:

Financial risk profile of the company is moderate marked by comfortable net worth, capital structure and debt protection metrics. Company's net worth stood at Rs.116.81 Cr as on March 31, 2023 as compared to Rs. 107.48Cr as on March 31, 2022. Improvement in net worth is on account accretion for profits to reserves. PTSPL capital structure is comfortable marked with healthy gearing and total outside liabilities to total net worth (TOL/TNW) of 0.14 times and 0.67 times respectively as on March 31, 2023 as against 0.18 times and 0.63 times as on March 31, 2022. The coverage indicators were moderate with DSCR of 3.66 times as on March 31st 2023 as against 4.20 times as on March 31st 2022. Interest coverage stood at 6.51 times as on March 31st 2023 as against 6.36 times as on March 31st 2022. Debt to EBITDA is continued to remain healthy at 0.80 times during FY23 from 1.11 times during previous year. Acuite believes that the financial risk profile of the company will remain comfortable for FY24 as well on account of healthy net worth position.

Weaknesses

Intensive working capital cycle

PTSPL working capital operations are intensive as evident from Gross Current Assets days of (GCA) of 175 days as on March 31, 2023 against 263 days as on March 31, 2022. Debtor days stood at 40days as on March 31, 2023. The company raises monthly invoices as the PTSPL majorly involved in supply of manpower who are paid monthly. High GCA days is also on account of presence of unbilled revenue of Rs.31.45Cr in other current asset portion during FY23. Besides, the bank limits utilization stood moderate at 82 percent in the last 12 months ending December 2023. Acuite Believes that working capital operations of the group will improve over the medium term on account of timely receipts from debtors.

Susceptibility to volatility in the scale of operations
The manpower service industry is highly fragmented, with a large number of unorganised players in the domestic market offering services at low costs. Players in this industry face high attrition, driven by intense competition to poach skilled and trained manpower. However, addition and increase in executing orders pertaining to smart city projects will mitigate the risk to an extent over the medium term. Acuité believes that the ability of the company to increase the scale of operations while maintaining its profitability levels would be the key rating sensitivity factor over the medium term.

Rating Sensitivities

- Significant and sustainable improvement in the scale of operations
- Sustainable improvement in Profitability, Leverage and Solvency position of the company.
- Any further increase in outflow, inform of investments beyond the net cash accruals.

Liquidity : Adequate

PTSPL liquidity position is adequate which is evident from sufficient net cash accruals (NCA) against the debt repayment obligations. The company has reported Net Cash Accruals (NCA's) of Rs.11.91Cr on March 31, 2023 against Rs.1.02Cr of debt repayment obligations. The cash accruals are estimated to remain in the range of Rs.12-14Cr in the medium term against expected debt repayment range of Rs.1-3.5Cr for the same period.

The company's unencumbered cash and bank balances stood at Rs.2.25Cr as on March 31, 2023, providing additional comfort towards liquidity. Intensive working capital operations have led to moderate reliance on the fund based working capital limits which were utilized in the range of ~82 percent during the past 12 months ending December, 2023. Besides current ratio of the company stood at 1.70 times as on March 31, 2023. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of sufficient NCA.

Outlook: Stable

Acuité believes that PTSPL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry, healthy unexecuted order book. The outlook may be revised to 'Positive', in case of sustainable improvement in scale of operations and reduction in receivables from debtors leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case PTSPL registers lower-thanexpected revenues and profitability or any significant stretch in its working capital management leading to deterioration of its financial risk profile.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	279.15	174.05
PAT	Rs. Cr.	9.23	7.08
PAT Margin	(%)	3.31	4.07
Total Debt/Tangible Net Worth	Times	0.14	0.18
PBDIT/Interest	Times	6.51	6.36

Status of non-cooperation with previous CRA (if applicable)
Not applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
• Service Sector: https://www.acuite.in/view-rating-criteria-50.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Complexity Level Of Financial Instruments: https://www.acuite.in/view-rating-criteria-55.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on **www.acuite.in**

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Dec 2023	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	20.00	ACUITE BB+ | Not Applicable (Downgraded & Issuer not co-operating*)
10 Oct 2022	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A3+ (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	20.00	ACUITE BBB | Stable (Downgraded from ACUITE BBB | Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A3+ | Upgraded (from ACUITE A4+)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB | Stable | Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE BBB | Stable | Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB | Stable | Upgraded (from ACUITE BB+)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.