

ICRA/Indium Software (India) Private Limited/20092024/01

Date: September 20, 2024

Mr. Arvind V

Senior Vice President

Indium Software (India) Private Limited,

No. 64, "Ganesh Chambers", Eldams Road, Teynampet,

Chennai – 600018

Dear Sir,

Re: ICRA's Credit Rating for below mentioned instruments of Indium Software (India) Private Limited

As per the Rating Agreement/Statement of Work executed with ICRA Limited, ICRA's Rating Committee has taken the following rating actions for the mentioned instruments of your company.

| Instrument                          | Rated Amount<br>(Rs. crore) | Rating Action              |
|-------------------------------------|-----------------------------|----------------------------|
| Proposed Non-Convertible Debentures | 210.00                      | [ICRA]A-(Stable); assigned |
| <b>Total</b>                        | <b>210.00</b>               |                            |

Once the instrument is issued, the rating is valid throughout the life of the captioned programme until withdrawn. However, ICRA reserves the right to review and/or, revise the above rating(s) at any time based on new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the rating(s). Therefore, request the lenders and investors to visit ICRA website at [www.icra.in](http://www.icra.in) for latest rating(s) of the company.

The rating is specific to the terms and conditions of the instruments as indicated to us by you, and any change in the terms or size of the same would require a review of the rating(s) by us. In case there is any change in the terms and conditions or the size of the rated instrument, the same must be brought to our notice before the instrument is used by you. In the event such changes occur after the rating(s) have been assigned by us and their use has been confirmed by you, the rating(s) would be subject to our review, following which there could be a change in the rating(s) previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the instrument from that specified in this letter, would constitute an enhancement that would not be covered by or under the said Rating Agreement.

The rating assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated NCD availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s), or occurrence of any significant development that could impact the ability of the company to raise funds such as restriction imposed by any authority from raising funds through issuance of debt securities through electronic bidding system. Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,

Yours sincerely,

For ICRA Limited

**SUPRIO**  
**BANERJEE**

Digitally signed by

SUPRIO BANERJEE

Date: 2024.09.20

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Suprio Banerjee

Vice President

supriob@icraindia.com

September 23, 2024

## Indium Software (India) Private Limited : [ICRA]A- (Stable); assigned

### Summary of rating action

| Instrument*                               | Current Rated Amount<br>(Rs. crore) | Rating Action               |
|---|-------------------------------------|-----------------------------|
| Proposed Non-Convertible Debentures (NCD) | 210.00                              | [ICRA]A- (Stable); assigned |
| <b>Total</b>                              | <b>210.00</b>                       |                             |

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating favourably factors in Indium Software (India) Private Limited's (Indium) experienced management and a diverse presence across various service and industry verticals. Driven by its focus on digital solutions and services, Indium has witnessed healthy revenue growth (albeit on a small base) over the last four years, surpassing the industry growth. The company's operating profits have also increased at a healthy rate, although ICRA notes a moderation in the operating profit margins due to necessary investments towards employee additions and management. The company's order book position also remains healthy, providing strong revenue visibility for FY2025.

The rating, however, is constrained by the company's expected moderation in the financial profile, following the large ongoing debt-funded acquisition of another IT services company. While Indium will gain access to new geographies, service verticals and end-user industries, and will be able to cross-sell its existing services, the debt-funded nature of the acquisition is expected to lead to moderate coverage indicators over the next two years. Additionally, Indium remains exposed to typical integration-related challenges associated with such acquisitions.

Although Indium's scale of operations has grown at a healthy rate, it remains moderate compared to larger domestic IT players. Furthermore, the company's revenues are heavily concentrated in the US market (which accounted for ~78% of revenues in FY2024), followed by India and Europe, exposing it to macroeconomic uncertainties in such key geographies. The company also faces stiff competition from other prominent players in the global IT services industry, limiting its pricing flexibility. Additionally, industry participants, including Indium, continue to face challenges such as foreign currency fluctuations and talent acquisition and retention, as evidenced by its high employee attrition rates.

The stable outlook on the long-term rating factors in ICRA's opinion that Indium will continue to witness healthy revenue growth, supported by its focus on expanding its digital solutions portfolio. This, coupled with moderate operating profit margins, should adequately support its debt coverage indicators over the medium term.

### Key rating drivers and their description

#### Credit strengths

**Experienced management** – Indium was founded by Mr. Vijayshankar Balaji and Mr. Ramchander Sukumar, who are actively involved in day-to-day management. The promoters have over 25 years of extensive experience in the IT services industry. In January 2024, EQT Private Capital, through its Asia Mid-market Growth fund, acquired 75.91% ownership in Indium by purchasing the entire shareholding of the erstwhile private equity partner and some stake from the founder promoters. Mr. Basab Pradhan, the current chairman of the board, has more than 30 years of experience in the IT sector. EQT also provides technical and strategic guidance to Indium.

**Diversified presence across various service lines and verticals** – Indium offers various technical services related to digital engineering solutions, quality assurance, and game testing and development (including animation). Within digital engineering, services include application engineering, cloud computing, data analytics, data mining, artificial intelligence, machine learning (AI & ML), and digital assurance. Digital engineering solutions contributed to ~51% of Indium’s revenues in FY2024, quality assurance services contributed ~32%, while game testing and development accounted for ~17%. Indium’s clientele spans various industry verticals, including digital natives (technology), manufacturing and consumer services, banking and financial services, healthcare, and gaming.

**Healthy revenue growth witnessed over last three years; healthy order book position provides revenue visibility** – Indium’s consolidated revenues increased from Rs. 103.1 crore in FY2020 to Rs. 466.8 crore in FY2024, reflecting a CAGR of 46% over five years, largely driven by growth in its digital solutions portfolio. This growth has surpassed industry averages, although ICRA notes the relatively small revenue base of Indium. The order book remains strong (executable through FY2025), providing adequate revenue visibility. Driven by its focus on expanding its digital solutions portfolio, Indium’s revenues (excluding the ongoing acquisition) are expected to grow by low teens over the next two years. The company’s operating profits have also increased significantly, though ICRA notes a decline in operating profit margins to 16.8% in FY2024 from 20.6% in FY2022 due to necessary investments in workforce expansion. ICRA expects OPM to remain in the mid-teens as the company continues to invest in workforce expansions to support growing revenues.

### Credit challenges

**Ongoing large debt-funded acquisition; expected moderation in financial profile** – Indium is in the process of acquiring a 51% stake in an IT services company, with an estimated acquisition cost of Rs. 230-240 crore, proposed to be funded by NCDs of Rs. 168 crore. While Indium has had limited reliance on debt until June 30, 2024, its leverage levels are expected to increase, leading to a moderation in debt coverage indicators. Additionally, Indium remains exposed to integration-related challenges typical of such acquisitions. The NCD is proposed to have a door-to-door tenor of five years, with repayments commencing after three years. The instalment structure is yet to be finalised, and any major deviations from the terms of the proposed NCD (vis-à-vis shared with ICRA) will be closely monitored. ICRA also notes that after three years, management may consider acquiring the remaining stake in the entity.

**Relatively moderate scale of operations and exposure to geographical concentration risk** - Indium’s scale of operations remains moderate compared to some large domestic IT players, thereby restricting its pricing flexibility and margins. Moreover, in line with trends in the global IT services industry, Indium derives a significant portion of its revenues from the US (which accounted for 78% of its revenues in FY2024), followed by India (at 13%), Europe (5%) and the rest of the world (4%) in FY2024. This exposes the company’s revenues and earnings to the structural and region-specific challenges in the US and other nations. Indium also remains exposed to macroeconomic uncertainties and any adverse regulatory/ legislative changes in its key operating markets of the US, Europe and the rest of the world.

**High attrition rates; exposure to other industry specific challenges like intense competition, forex risk** - As a highly labour-intensive business, the availability and retention of a skilled workforce continues to be a key challenge. Indium reported a 28% attrition level in FY2024, which is relatively higher than other industry players. Indium’s revenue and profit margin also remain susceptible to demand fluctuations and declines in discretionary spending in the intensely competitive IT services industry. Moreover, its revenues and margins are also exposed to forex risks as revenues are derived from the international market. However, the company’s hedging mechanisms mitigate this risk to some extent.

### Liquidity position: Adequate

The company’s liquidity position is adequate with free cash and bank balance of Rs. 9.6 crore and fixed deposits of Rs. 7.5 crore as on June 30, 2024. Additionally, Indium has liquid and other investments (in debentures, mutual funds and REITs) of Rs. 61.1 crore as on June 30, 2024. Furthermore, the company has sanctioned a CC limit of Rs. 16 crore with an average utilisation of 70% in the last 12 months ending June 2024, providing an additional buffer of Rs. 3.9 crore as on June 30, 2024. Indium is expected to generate adequate retained cash flows compared to its debt servicing and other obligations.

Indium has an outstanding car loan of Rs. 0.19 crore as on March 31, 2024, which will be repaid in the next two years. The company plans to incur a capex of Rs. 16-18 crore per annum in FY2025 and FY2026, which is proposed to be funded via internal accruals. Indium is in the process of acquiring a 51% stake in an IT services entity, entailing a cash outflow of Rs. 240 crore, funded via debt of Rs. 168 crore and balance through available cash and bank and fixed deposits/internal accruals. The NCD is proposed to have a door-to-door tenor of five years, with repayments commencing after three years. The instalment structure is yet to be decided and any major deviation in the terms of the proposed NCD (vis-à-vis that shared with ICRA) will be a key monitorable.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the company demonstrates significant improvement in its scale of business along with healthy sustained profit margins and liquidity position.

**Negative factors** – Pressure on Indium’s rating could arise in case of a sharp decline in revenues and profits and/or additional sizeable debt-funded acquisitions that could significantly impact its financial profile and liquidity position. Specific credit metrics that could lead to a downgrade includes total debt (including lease liability) vis-à-vis operating profit (before depreciation, interest and tax) exceeding 2.3 times on a sustained basis.

### Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology IT - Software &amp; Services</a>   |
| Parent/Group support            | Not applicable   |
| Consolidation/Standalone        | For arriving at the ratings, ICRA has considered the consolidated financials of Indium Software (India) Private Limited along with its wholly owned subsidiaries. As on March 31, 2024, the company had two subsidiaries, which are listed in Annexure-II. ICRA has also considered the expected financial performance of the entity being acquired while arriving at the ratings. |

### About the company

Indium is a fast-growing digital engineering company, focused on building modern solutions across applications, data and gaming verticals for its clients. Indium offers a wide range of services, including product engineering, low-code development, data engineering, artificial intelligence and machine learning, digital assurance, and end-to-end gaming services.

Indium’s headquarters are located in Teynampet, Chennai (Tamilnadu). The company has 10 offices spread across India, including in cities such as Pune, Hyderabad, Bengaluru and Chennai, with international offices in US, London as well as in Singapore.

ISIPL has two wholly owned subsidiaries, Indium Software INC, based in US, catering to US and Canadian markets and Indium Software Pte Ltd, which caters to the rest of the world, except India (catered by the Indian entity, ISIPL).

### Key financial indicators (audited)

| Consolidated   | FY2023 (Audited) | FY2024 (Audited) |
|--|------------------|------------------|
| Operating income                                     | 362.4            | 466.8            |
| PAT  | 53.2             | 58.0             |
| OPBDIT/OI  | 20.7%            | 16.8%            |
| PAT/OI   | 14.7%            | 12.4%            |
| Total outside liabilities/Tangible net worth (times) | 0.6              | 0.4              |
| Total debt/OPBDIT (times)                            | 0.2              | 0.1              |

|                                  |      |      |
|----------------------------------|------|------|
| <b>Interest coverage (times)</b> | 45.3 | 49.2 |
|----------------------------------|------|------|

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

| Current (FY2025) |           |                          |                  | Chronology of rating history for the past 3 years |        |        |        |        |        |
|------------------|-----------|--------------------------|------------------|---|--------|--------|--------|--------|--------|
|                  |           |                          |                  | FY2024  |        | FY2023 |        | FY2022 |        |
| Instrument       | Type      | Amount Rated (Rs. crore) | Sep 23, 2024     | Date  | Rating | Date   | Rating | Date   | Rating |
| NCD              | Long Term | 210.0                    | [ICRA]A-(Stable) | -   | -      | -      | -      | -      | -      |

### Complexity level of the rated instruments

| Instrument                                      | Complexity Indicator |
|---|----------------------|
| Long Term - Proposed Non-Convertible Debentures | Very Simple          |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

| ISIN | Instrument Name                     | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-------------------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA   | Proposed Non-Convertible Debentures | NA               |             |          | 210.00                   | [ICRA]A- (Stable)          |

Source: Company data

**Annexure II: List of entities considered for consolidated analysis**

| Company Name                       | Indium's Ownership | Consolidation Approach |
|------------------------------------|--------------------|------------------------|
| Indium software INC, USA           | 100.00%            | Full Consolidation     |
| Indium software Pte Ltd, Singapore | 100.00%            | Full Consolidation     |

Source: Company data; Note: ICRA has also factored in the expected financial performance of the entity being acquired, while arriving at the ratings.

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



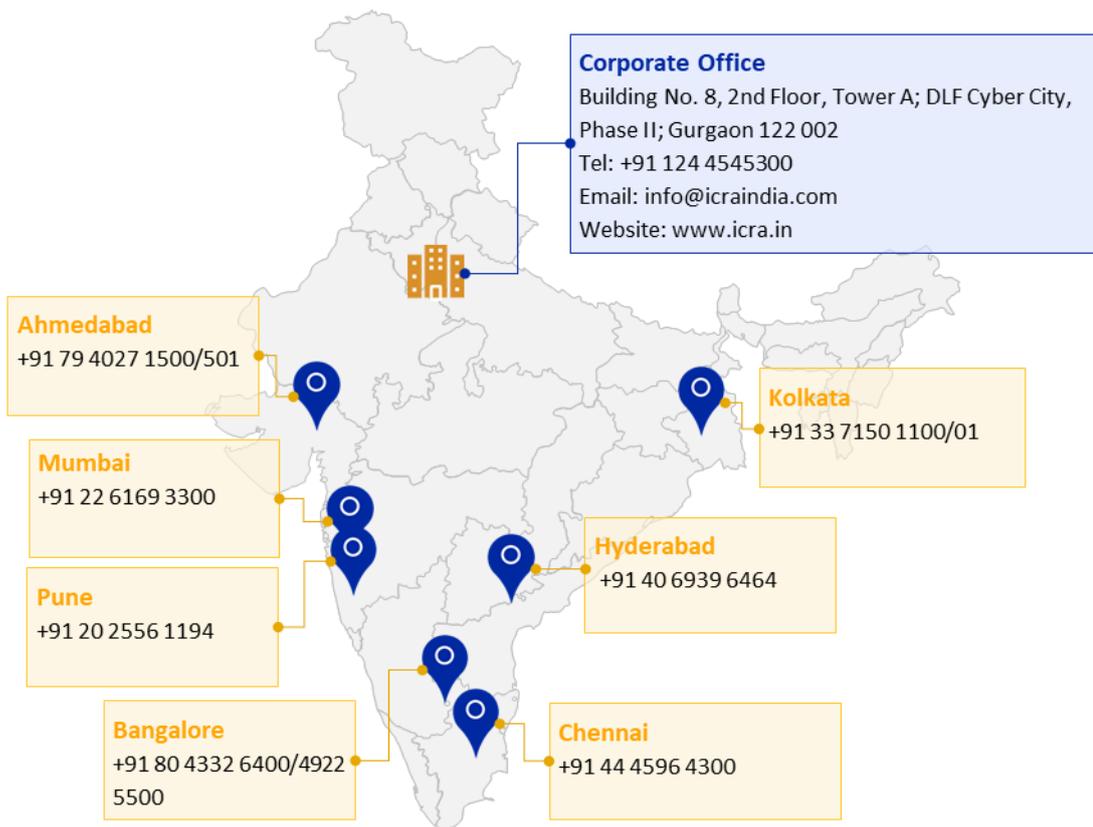
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### Branches



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