

Fluentgrid Limited

March 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	93.00	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	141.00	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Fluentgrid Limited (Fluentgrid) continues to derive comfort from a healthy and diversified order book, experienced promoters supported by a well-qualified management team and established track record in offering innovative technology solutions for the energy and urban sectors. Ratings also factor in comfortable capital structure, satisfactory debt coverage indicators, a geographically diversified customer base, and a wide product portfolio with a favourable outlook for the smart grid and smart city industry.

However, ratings are tempered by declining total operating income (TOI) in FY23 (refers to the period April 01 to March 31) though healthy profitability margins, elongated debtor collection period resulting in high dependence on working capital bank borrowings, and technological obsolescence risk.

Ratings also consider the company's operational and financial performances in 9MFY24.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 25% on a sustained basis.
- Timely realising receivables and ability to maintain an average collection period below 150 days.

Negative factors

- Significant debt-funded capex impacting the company's capital structure.
- Increasing average working capital utilisation at 95% or above in the next 12 months, impacting the overall liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the promoters' extensive experience and management in the industry.

Detailed description of the key rating drivers:

Key strengths

Healthy and diversified order book

As on February 01, 2024, the outstanding order book stood at ₹926.18 crore, mostly to be executed by the end of FY26, thus providing revenue visibility for the medium term. The confirmed order book translates to 4.38x of gross billing in FY23. The company has been receiving regular orders for implementation/AMC majorly from discoms. With better realisation, the company is confident of meeting its target and expects to add additional revenue. Despite a healthy order book, the top four customers contribute to 53% share, indicating customer concentration risk. Nevertheless, these client relationships are strong with diversified work carried out in terms of segments.

Experienced and resourceful promoters supported by a well-qualified management team

G S Murali Krishna (Managing Director and CEO) has been in the field of Information Technology for around 24 years, with an overall experience of three decades. He is supported by a well-qualified team of highly competent IT professionals and management.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Established track record in offering innovative technology solutions for the energy and infrastructure sector

As an integrated enterprise technology solutions provider for over 24 years, Fluentgrid has developed strong utility domain expertise implementing its solutions for over 50 utilities and cities globally. Over the years, the company has extended its solutions from revenue management, and customer management, to smart metering, smart grids, and enterprise solutions, besides extending its offerings to smart cities to leverage ICT in transforming the living standards of citizens. Its product offerings for utility customers comprise 25 modules across five complimentary product lines: Customer Information System (CIS), Customer Relationship Management (CRM), Advanced Metering Infrastructure (AMI), Smart Grid, and Enterprise, with Fluentgrid CIS being the flagship product.

Geographically diversified and further expansion of product portfolio

Extending its product line, the company also has a Command-and-Control Centre (CCC) offering for cities acting as a single platform integrating various departments and city-level IT systems, providing advanced city-level data analytics and visualisation for key stakeholders and an incident reporting and management tool for citizen grievances, asset, and maintenance management, among others, to enable better city governance. All these solutions are implemented leveraging Fluentgrid's innovative Actelligence platform. In addition to implementing its product-based solutions as a system integrator, the company is currently working on new offerings such as Software as a service and associated services to the utilities for providing cloud billing and smart metering services. With expanding its portfolio of offerings, the company has been diversifying through growth in new geographies winning several projects outside India in the recent past, most of which are funded through development financial institutions such as World Bank. The company has clients across most Indian states for its solutions and services.

Comfortable capital structure and debt coverage metrics

The company's capital structure continues to remain comfortable backed by relatively strong net worth. Its net worth on the back of strong accretion of profits has increased to ₹182.67 crore as on March 31, 2023 from ₹169.49 crore as on March 31, 2022. Accordingly, the company's overall gearing improved to 0.50x as on March 31, 2023 (PY: 0.50x as on March 31, 2022). Backed by comfortable cash accruals during the year both at operating and net levels, the company's debt coverage metrics remained comfortable for FY23. The interest coverage ratio has improved marginally to 3.15x in FY23 (PY: 3.06x), whereas the total debt to gross cash accruals (GCA) has improved and stands satisfactory at 2.41x in FY23 (PY: 3.28x).

Established track record with reputed clientele

Fluentgrid utility solutions are delivered to reputed private and public sector utilities such as Tata Power, Adani Power, National Thermal Power Corporation Limited (NTPC), Uttar Pradesh Power Corporation Ltd (UPPCL), Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL), and Bangalore Electricity Supply Company Limited (BESCOM) among others. Outside India, its utility solutions are delivered to nationwide power utilities including OSHEE of Albania, EUCL of Rwanda, NEA of Nepal, and Kahramaa of Qatar among others. On the smart city front, Fluentgrid delivered integrated command and control centre solutions for Bengaluru, Visakhapatnam, Lucknow and Kochi smart cities and Urban ERP solution for New Delhi Municipal Council (NDMC). Fluentgrid works in partnership with large global system integrators such as L&T Mindtree, Bosch, Tech Mahindra, Accenture, and so on, to deliver its utility and city solutions around the world. Fluentgrid products, CIS, MDMS and Actelligence, are listed in globally reputed market research reports including Gartner and Guidehouse Insights.

Key weaknesses**Decline in TOI though healthy profitability margins**

The TOI declined in FY23 by 31.05% and stood at ₹211.53 crore as against ₹306.77 crore in FY22. However, the company's PBILDT margin has risen during the year from 20.18% in FY22 to 22.58% in FY23. The decline in revenue during the year was mainly due to the delay in extension orders from Tata Power Odisha and Uttar Pradesh Power Corporation Limited. The company's profit after tax (PAT) margins continued to be satisfactory at 6.76% in FY23 as against 7.89% in FY22. The decline in PAT margins was due to the payment of provision of tax of ₹2.52 crore for earlier years. In 9MFY24, the company reported TOI of ₹203 crore with a PBILDT margin of 24.49%.

Stretched working capital cycle

The company's operating cycle has significantly deteriorated to highly stretched at 292 days in FY23 from 201 days in FY22 owing to increased collection period to 341 days in FY23 from 245 days in FY22. The collection period is on the higher side owing to delays in the realisation of dues from state-owned DISCOMS and execution of projects where the billings are done on a milestone basis. Nevertheless, the company's debtors stood at ₹195.64 crore as on December 31, 2023, and it has realised ₹36.07 crore as on March 21, 2024, taking the net receivables to ₹159.57 crore. Although the receivables are higher, the counterparties carry lower credit risk and most of them are government entities.

Stable industry outlook though inherent risk associated with tender-based business

Fluentgrid is exposed to risks associated with the tender-based business. The company obtains its business through tender bidding process and if the company is unable to successfully bag new tenders, the company's business risk profile comes under pressure as it incurs employee and other overhead expenses every year regardless of the sales or orders in that year. The tendering process can also be extremely slow when dealing with government agencies. The ongoing universal smart prepaid metering opportunity in India, as part of the RDSS programme of Ministry of Power, will continue to be the major theme for business development for the next 2-3 years. Fluentgrid is empanelled as AMI service provider for this opportunity, and partnered with meter vendors and other large system integrators who take up these projects on DBFOOT basis. Fluentgrid offers AMI software products like UHES, MDMS, Smart Prepaid, and Smart Meter Operations Center for these opportunities as OEM. Many Indian power utilities are going in for revamp of their billing systems to take advantage of incentives provided under the RDSS, which is another good opportunity for Fluentgrid, given that it is their flagship offering for utilities.

Liquidity: Adequate

The company's liquidity is adequate marked by sufficient cash accruals against the repayment obligations. The company's GCA stood at ₹25.70 crore in FY23 as against the repayment obligations of ₹3.38 crore in FY24. However, given the working capital-intensive operations, fund-based working capital utilisation of the company in the past 12 months ending January 2024 stood at 83.49%. The company's current ratio improved and remained satisfactory at 1.84x at the end of FY23, owing to the high reliance on external funding of working capital requirements.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial Sector Entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non-financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Information technology	Information technology	IT - Software	Software products

Fluentgrid was originally incorporated in 1998 as Phoenix Cybertech India Private Limited. In 2001, the company was converted into public limited company as Phoenix IT Solutions Ltd. Later, on December 16, 2015, the company's name was changed to current nomenclature. Fluentgrid, with its wholly owned subsidiaries, currently have offices in Vishakapatnam, Hyderabad, Kabul, Singapore, and USA. The company is managed by G S Murali Krishna (Managing Director), who has an overall experience of more than two decades. The company is ISO 9001:2015, ISO 27001:2013, ISO 20001:2018, ISO 14001:2015, ISO 45001:2018 certified, compliant with Capability Maturity Model Integration (CMMI) Level-5 and is a member of industry bodies, including – ITAAP, FAPCCI, VCCI, and AP Chamber of Commerce & Industry Federation.

The company currently has several global partnerships within India and the other regions. Fluentgrid provides smart technology-driven products and turnkey solutions for utilities, communities and cities with solutions that focus on revenue management, customer management, smart metering, smart grids, and enterprise solutions.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	306.77	211.53	203.20
PBILDIT	61.92	47.76	49.77
PAT	24.21	14.31	21.87
Overall gearing (times)	0.51	0.52	0.44
Interest coverage (times)	3.06	3.15	4.16

A: Audited; UA: Unaudited; Note: 'these are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	89.55	CARE BBB+; Stable
Fund-based - LT-Term loan		-	-	31/10/2025	3.45	CARE BBB+; Stable
Non-fund-based - ST-Bank guarantee		-	-	-	141.00	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash credit	LT	89.55	CARE BBB+; Stable	1)CARE BBB+; Stable (06-Apr-23)	-	1)CARE BBB+; Stable (31-Mar-22)	1)CARE BBB+; Stable (26-Mar-21)
2	Non-fund-based - ST-Bank guarantee	ST	141.00	CARE A3+	1)CARE A3+ (06-Apr-23)	-	1)CARE A3+ (31-Mar-22)	1)CARE A3+ (26-Mar-21)
3	Fund-based - LT-Term loan	LT	3.45	CARE BBB+; Stable	1)CARE BBB+; Stable (06-Apr-23)	-	1)CARE BBB+; Stable (31-Mar-22)	1)CARE BBB+; Stable (26-Mar-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Bank guarantee	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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