

SourceHOV India Private Limited

March 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	19.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from SourceHOV India Private Limited (SourceHOV) to monitor the rating vide e-mail communications dated February 27, 2025, March 18, 2025, among others and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings.

In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which, however, in CARE Ratings opinion is not sufficient to arrive at a fair rating. The rating of SourceHOV's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by SourceHOV with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

The rating assigned to the bank facilities of SourceHOV India Private Limited (SourceHOV) continues to take into account the significant counterparty risk as its revenues are heavily reliant on its USA based parent company, which has a weak financial profile. Due to higher exposure to the parent, the collection period of SourceHOV continues to remain stretched. The rating is further constrained by SourceHOV's large revenue dependence on healthcare segment and exposure of earnings of the company to foreign currency fluctuations. The ratings however derive comfort from the long track of operations of the company in business process outsourcing (BPO) space and its comfortable capital structure.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of previous rating published on February 09, 2024, the following were the key rating drivers. The same has been updated with available information.

Key weaknesses

High counterparty risk with weak parent

SourceHOV is a stepdown subsidiary of Exela Technologies Inc (Exela) and the former operates largely as an offshore arm to its parent and has historically derived more than 90% of its revenue over the years from the parent. Exela provides business process automation solutions and transaction processing services to more than 60% of the Fortune 100 organizations. Exela has presence in the most information-intensive industries such as financial services, healthcare insurance payers and providers, legal services among others with a diversified client base. Exela registered a total income of USD 1064.12 million with net loss of USD 125.16 million in CY2023 (PY TOI: USD1077.16 million and PY Net loss : USD 415.58 million) and its profile remains weak, with a negative net worth base of USD 858.84 million as of CY23 end.

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

Moderate scale of operations and elongating operating cycle

SourceHOV continues to remain a small player in the BPO service industry. Company's Total Operating Income (TOI) increased by 5% from Rs 277 crores in FY23 to Rs 292 crores in FY24, primarily by providing outsourced services to its parent company. SourceHOV invoices the parent company for income using a cost-plus markup. For FY24, PBILDT margin has moderated to 16.01% (PY 21.40%). Collection period of the company has been elongating over the years due to delayed payments from parent. As on March 31, 2024, the company's average collection period was at 306 days (PY: 285 days).

High revenue dependence on healthcare service segment

SourceHOV, offers outsourcing services in industries such as healthcare, publishing, finance, and accounting, among others. However, the revenue concentration from the healthcare industry has been considerable (between 60-65% in recent years), and the company is engaged in the digitisation and adjudication of physical forms provided by patients for insurance claims.

Key Strengths

Comfortable capital structure and debt metrics

Against the net worth of Rs.238.74 Cr as on March 31, 2024, due to limited borrowings, the overall gearing stood comfortable at 0.13x (PY:0.13x). Interest coverage ratio of the company stood comfortable at 14.01x during FY24.

Long track record of operations

SourceHOV was founded in 1993 as Vetri Software India Private Limited and has been operating in the BPO industry for over three decades. Despite changes in ultimate ownership, the majority of the firm's top management team has remained with the company. The company's operations are well-established, and over the years, it has built a number of in-house software solutions to improve turnaround time. SourceHOV has various delivery centres in Chennai, Kanchipuram, Madurai, Tanjore, etc. as well as offices in Mumbai and New Delhi.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

SourceHOV is engaged in BPO services and was initially incorporated in 1993 as Vetri Software India Private Limited which underwent various acquisitions. SourceHOV is a wholly owned subsidiary of HOV Services Inc. USA, which is owned by SourceHOV LLC USA, which is in turn held by Exela Technologies Inc, USA.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	236.01	277.32	291.56
PBILDT	42.47	59.34	46.68
PAT	24.74	34.92	26.85
Overall gearing (times)	0.17	0.13	0.13
Interest coverage (times)	24.75	15.79	14.01

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Packing Credit in Foreign Currency		-	-	-	19.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2024-2025	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
1	Fund-based - LT-Packing Credit in Foreign Currency	LT	19.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (09-Feb-24)	1)CARE BB-; Stable (14-Mar-23)	1)CARE BB-; Stable (07-Jan-22)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (14-Mar-23)	1)CARE BB-; Stable (07-Jan-22)

*Issuer did not cooperate; based on best available information.

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Packing Credit in Foreign Currency	Simple

Annexure-5: Lender details

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

Note on complexity levels of 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 clarifications.

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About us:

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