

Birlasoft Limited

September 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	307.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	20.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	25.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has reaffirmed ratings assigned to bank facilities of Birlasoft Limited (Birlasoft) at 'CARE AA+; Stable' and 'CARE A1+'. Reaffirmation continues to derive strength from Birlasoft's established position in the IT services industry, predominantly in MedTech, Cards & Payments, Asset Management and ERP Implementation services, its robust capital structure, healthy cash flow generation, and strong liquidity with cash and liquid investments of over ₹1,900 crore as on March 31, 2025, supported further by unutilised working capital lines. The company also benefits from being part of the well-known and diversified CKA Birla Group (erstwhile CK Birla Group), which imparts financial flexibility and underscores its strategic importance. In FY25, Birlasoft reported decline in PBILDT margins by ~300 bps y-o-y amidst challenging demand environment in its key market (USA) with discretionary IT spending remained subdued. Weakness in demand is expected to continue in FY26 as well, marked by macro uncertainty with elongated decision cycles, and cautious client spends, and further exacerbated by the recent uncertainty around trade and tariffs, though there is no direct impact of the US tariffs on IT service industry for now. However, ratings draw comfort from its healthy order pipeline (total contract value; TCV of US\$236 million), diversified service offerings and continuous focus on scaling up digital, cloud, and its initiatives around artificial intelligence and generative AI capabilities, provide medium-term revenue visibility. Going forward, CareEdge ratings expects profitability levels to improve once global uncertainty moderates and corporate discretionary expenditure revives.

However, these rating strengths are partially offset by Birlasoft's presence in a highly competitive IT service industry with many prominent players limiting its pricing flexibility given the relative moderate scale of operations, its geographical concentration (largely in USA, ~ 86.5% of revenue in FY25), client concentration, foreign exchange fluctuation risk, employee attrition risk, and changes in policies/ macro environment across key operating markets, including America and Europe among others.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in scale of operations and geographical diversification, and ability to enhance operating profitability margins to 20% or more on a sustained basis.

Negative factors

- Incremental sizeable debt-funded acquisition that moderates capital structure, leading to net debt/PBILDT of over 1x on a sustained basis.
- Slowdown in key verticals resulting in significant pressure on income and PBILDT margin falling below 12% on a sustained basis.
- Major regulatory challenges impacting operations.

Analytical approach: Consolidated

CareEdge Ratings has taken a consolidated approach for Birlasoft and its subsidiaries, as all entities operate in the same line of business, under common management and have strong financial and operational linkages. List of subsidiaries is listed under Annexure 6.

Outlook: Stable

'Stable' outlook reflects CareEdge Ratings' expectation that despite global headwinds, Birlasoft's financial risk profile will continue to remain strong in the near-to-medium term, supported by its established business profile and healthy order book position

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

leading to strong internal accrual generation, comfortable capital structure with negligible debt and strong liquidity position, despite some moderation in growth momentum expected in the information technology industry.

Detailed description of key rating drivers:

Key strengths

Well-diversified service offerings aligned by industry verticals

Birlasoft offers a wide range of services critical for smooth and secure information technology operations across three service verticals; digital and data (contributing 55.2% revenue in FY25), enterprise resource planning (ERP; 34.4%) and infrastructure (10.4%). The company caters to four industry verticals; Manufacturing (39.7%), BFSI (23.8%), Energy and Utilities (16.1%) and Lifesciences (20.4%). This diversification enables the company to withstand industry headwinds. In FY25, manufacturing and life sciences segments underperformed with services offered being more discretionary in nature, however, margins were cushioned by BFSI.

Healthy order book supporting revenue visibility

In FY25, Birlasoft registered a marginal increase in revenue by 1.6% to ₹5,363 crore and 0.1% decline in constant currency to US\$635.4 million, driven by challenging macroeconomic environment. Active number of accounts reduced from 259 in FY24 to 254 in FY25. The company is continuously rationalising the total client accounts to exit the tail accounts and to allocate its resources to more profitable accounts, which are long sustaining and have potential growth prospects. In this respect, the company has been able to enhance its overall operating profitability as well in FY24. However, profit before interest, lease rentals, depreciation and taxation (PBILDT) margin declined to 12.79% in FY25 from 15.82% in FY24, owing to weak performance in manufacturing (2% decline in total operating income [TOI] and 30% decline in operating profit) and life sciences (12% decline in TOI and 37% decline in operating profit) due to industry-wide slowdown, particularly in the IT services to manufacturing sector. CareEdge Ratings expects profitability margins to remain at similar levels in FY26, with growth anticipated thereafter as the global uncertainty is reduced, leading to higher discretionary expenditures.

The company has signed new deals worth US\$359 million (PY: US\$448 million) and renewals were US\$418 million (PY: US\$428 million), leading to Total TCV of US\$758 million for FY25, provides a healthy revenue visibility in the near-to-medium term. Decline in TCV from US\$876 million in FY24 is partially due to change in management focus towards more annuity-based deals, which generally take longer time to close, but provide stable revenue in multiple years, and also due to challenging demand scenario, as a result of longer decision cycles and cut in discretionary spends. Going forward, the company's ability to maintain a healthy order pipeline and strong conversion with healthy profitability levels remains a key rating sensitivity.

Strong financial risk profile marked by strong debt coverage metrics

The company continues to maintain a strong financial risk profile with strong capital structure marked by negligible debt (term loan of ~₹11 crore and lease liabilities of ~₹140 crore), almost nil working capital (WC) utilisation and superior liquidity position, against a strong net worth base of ₹2,965 crore as on March 31, 2025. Debt protection metrics, as characterised by total debt to gross cash accruals (TD/GCA) of 0.25x in FY25 (0.13x in FY24), remains robust, despite a challenging demand environment and uncertainty driven by tariffs imposed by the US. Overall gearing stood at 0.05x as on March 31, 2025, compared to 0.04x as on March 31, 2024. Other coverage indicators also remained healthy including interest cover of 29.26x in FY25 (PY: 41.85x) and TD/PBILDT of 0.22x (PY: 0.11x), respectively, as on March 31, 2025. Going forward, financial metrics are expected to remain strong in absence of significant acquisitions or growth plans in immediate future, which may require significant capital or debt and further supported by steady revenue and margin growth and healthy liquidity built up.

Strong parentage being part of the well-established and diversified CKA Birla group

The CKA Birla Group is a diversified US\$2.8 billion conglomerate, operating in six major industry clusters, including technology, automobiles, home & building, infrastructure, and healthcare and education among others, with over 25,000 employees, 46 manufacturing facilities and 21 service delivery locations across five continents.

Birlasoft derives financial flexibility and benefits from the strong management lineage of the group. It is promoted by National Engineering Industries Limited (holding 38.77% stake in Birlasoft as on June 30, 2025; rated 'CARE AA-; Stable/CARE A1+'), a pioneer in bearing manufacturing in India. The company is led by Amita Birla, Chairman, and is supported by a team of qualified professionals. Birlasoft appointed a new Chief Executive Officer and Managing Director, Angan Guha, in December 2022, who has over 30 years of experience in the information technology services industry. Being a strategic business vertical and carrying significant market valuation of over ₹10,000 crore, Birlasoft holds pivotal position in the group.

Key weaknesses

Highly competitive industry with exposure to forex risk, employee attrition, and policies in key operating markets

Birlasoft's presence in a highly competitive industry leads to pricing pressure, deal renegotiations, deferrals and talent retention challenges, which directly impact revenue growth and profitability. IT services industry is exposed to macro factors in the clients' domestic markets and as such, is impacted by economic conditions, regulatory changes and political situations of the world. Moderation in earnings in FY25 was a result of cut in discretionary spending by clients in the US, owing to ongoing uncertainty related to tariffs and other geopolitical factors.

As most earnings are in foreign currency, exchange rate movements affect profitability. The company evaluates net exchange rate exposure based on expected volatility and generally covers 60-70% of total exposure through a layered hedging strategy. Attrition rates have declined from 22.1% in FY23 to 12.4% in FY24 and remained at similar levels at 12.8% in FY25, which is expected to support profitability going forward. Utilisation levels also remained healthy at 81% in FY25, though slight moderation was observed from FY24 levels of 86%.

Exposure towards geographical and client concentration risks

Birlasoft's geographical revenue trend remains aligned with the global information technology services industry, with ~86.5% of revenue in FY25 (PY: 85.5%) contributed by America. Skewness to a single geography exposes revenue and profitability to structural and region-specific challenges. The company is focusing on expanding global coverage and securing deals outside America.

Client contribution to revenue in FY25 was ~37.1% (PY: 34.2%) from the top five customers, 52% (PY: 51.2%) from the top 10 customers and 65.2% (PY: 64.3%) from the top 20 customers, indicating moderate to high customer concentration risk. This is driven by the company's strategy to focus on select customer groups and drive growth through existing top multi-service accounts via cross-selling. The company has also rationalised non-profitable accounts with limited growth potential. The risk of higher client concentration is mitigated to an extent by long-standing and strategic associations with these clients.

Liquidity: Strong

Liquidity remains strong, despite the challenging demand environment, supported by strong gross cash accruals of ₹610 crore in FY25 against repayment obligations of ~₹39 crore each year (including lease liabilities) in FY26, FY27 and FY28, leaving sufficient buffer for regular capex (~₹50-₹55 crore). As on March 31, 2025, cash and liquid investments stood at ₹1,916 crore, with additional, ₹297 crore held as non-current investments. Total cash, liquid and non-current investments stood at ₹2,286 crore as on June 30, 2025.

Birlasoft also has adequate buffer in the form of unutilised working capital limits, with average utilisation at nil for 12 months ending July 2025. The cushion in limits is sufficient to absorb incremental working capital requirements or future exigencies.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Environment: Birlasoft is not exposed to severe environmental risk, being a service-oriented company. It is working to reduce its carbon footprint by moving to cloud-based operations, which reduces physical products and hardware, lowering paper waste and emissions. The company has implemented Continuous Advanced Multistage System – Soil Biotechnology (CAMUS-SBT) sewage treatment plant to treat wastewater using terrestrial ecology for optimal water utilisation. Energy efficiency initiatives include replacing HVAC systems with more efficient VRF systems and switching from CFL to LED lighting.

Social: Indian information technology service companies face risks of data breaches and cyber-attacks, which could affect large volumes of customer data. Material lapses could result in liabilities, fines or reputational damage. The company is also exposed to risks from changes in immigration laws in key developed markets. As a human capital-intensive company, Birlasoft promotes gender diversity with 43% women representation at board level. However, workforce diversity remains low, with only 23.86% women employees in FY25. Regular training contributes to skill development and supports a low attrition rate of 12.8% in FY25, compared to higher industry average.

Governance: Birlasoft has a robust governance framework with four independent directors out of eight on the Board of Directors.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation & Combined Approach](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - services	IT-enabled services

Birlasoft is part of the CKA Birla Group and was incorporated in 1995. The company is primarily managed by Amita Birla, (Chairperson, Birlasoft and Co-Chairperson, CKA Birla Group); Chandrakant Birla (Promoter and Non-Executive Director) and Angan Guha (Chief Executive Officer and Managing Director). Birlasoft is a multinational global information technology solutions and services provider in software development, package implementation, application management, testing, enterprise and digital technologies.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	5278	5363	1285
PBILDT	835	686	156
PAT	624	517	150
Overall gearing (times)	0.04	0.05	NM
Interest coverage (times)	41.85	29.26	37.29

A: Audited UA: Unaudited; NM: Not Meaningful; 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-Cash Credit		-	-	-	277.00	CARE AA+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	30.00	CARE AA+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	25.00	CARE A1+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	20.00	CARE AA+; Stable / CARE A1+

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	277.00	CARE AA+; Stable	-	1)CARE AA+; Stable (02-Aug-24)	1)CARE AA; Stable (29-Nov-23)	1)CARE AA; Stable (20-Sep-22)
2	Fund-based - LT-Working Capital Limits	LT	30.00	CARE AA+; Stable	-	1)CARE AA+; Stable (02-Aug-24)	1)CARE AA; Stable (29-Nov-23)	1)CARE AA; Stable (20-Sep-22)
3	Fund-based - ST-Bank Overdraft	ST	25.00	CARE A1+	-	1)CARE A1+ (02-Aug-24)	1)CARE A1+ (29-Nov-23)	1)CARE A1+ (20-Sep-22)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	20.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (02-Aug-24)	1)CARE AA; Stable / CARE A1+ (29-Nov-23)	1)CARE AA; Stable / CARE A1+ (20-Sep-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short 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-Cash Credit	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Birlasoft Solution Inc., USA	Full	Subsidiary
2.	Birlasoft Solutions France	Full	Subsidiary
3.	Birlasoft Computer Corporation, USA	Full	Subsidiary
4.	Birlasoft Solutions ME FZE, UAE	Full	Subsidiary
5.	Birlasoft Solutions Ltd, UK	Full	Subsidiary
6.	Birlasoft Consulting Inc., USA	Full	Subsidiary
7.	Birlasoft Solutions Mexico, S.A. DE. C.V, Mexico	Full	Subsidiary
8.	Birlasoft Technologies Canada Corporation, Canada	Full	Subsidiary
9.	Birlasoft Solutions GmbH, Germany	Full	Subsidiary
10.	Birlasoft Solutions Ltda., Brazil	Full	Subsidiary
11.	Birlasoft Inc., USA	Full	Subsidiary
12.	Birlasoft (UK) Limited, UK	Full	Subsidiary
13.	Birlasoft Sdn Bhd, Malaysia	Full	Subsidiary

Note on complexity levels of rated instruments: CareEdge 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.

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sabyasachi Majumdar Senior Director CARE Ratings Limited Phone: 91-120-445-2006 E-mail: Sabyasachi.Majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director CARE Ratings Limited Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in
	Sahil Goyal Assistant Director CARE Ratings Limited Phone: 91-120-4452000 E-mail: Sahil.goyal@careedge.in

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