

## Fluentgrid Limited

March 31, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	95.00 (Reduced from 99.95)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	141.00	CARE A3+ (A Three Plus )	Reaffirmed
<b>Total Bank Facilities</b>	<b>236.00</b> <b>(Rs. Two Hundred Thirty-Six Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Fluentgrid Limited (Fluentgrid) takes into account comfortable capital structure and debt coverage indicators. The ratings continue to derive strength from experienced promoters supported by well qualified management team, established track record in offering innovative technology solutions for the energy and urban sectors, healthy growth in total operating income during FY21 (refers to period April 01 to March 31), healthy and diversified order book position, geographically diversified customer base and diversified product portfolio together with positive outlook for smart grid and smart city industry. The ratings are, however, tempered by exposure of the order book towards utility companies whose liquidity profile is relatively weak and stretched working capital cycle.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in PBILDT margins above 25% on a sustained basis.
- Timely realization of receivables and ability to maintain average collection period below 150 days.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in overall gearing beyond 1.0x in any of the projected period.
- Delay in realization of receivables from Discoms leading to debtor days beyond 240 days

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced and resourceful promoters supported by well qualified management team:** Mr. G S Murali Krishna (Managing Director and CEO) has been present in the field of Information Technology for around twenty-four years. He has an overall experience of over twenty-nine years. He is being supported by well qualified team of highly competent IT professionals and management.

**Established track record in offering innovative technology solutions for energy sector:** As an integrated enterprise technology solutions provider, Fluentgrid from over 21 years has developed strong utility domain expertise implementing its solutions for over 50 utilities & cities globally. Over the years the company has extended its solutions from Customer Information System (CIS) and Customer Relationship Management (CRM) solutions to smart metering, grids & enterprise solutions along with now extending its offerings to cities for them to leverage Information and Communication Technology (ICT) in transforming living standards through the ongoing smart city initiatives. Its product offerings for utility customers comprises of 25 modules across 5 complimentary product lines viz. Customer Information System (CIS), Customer Relationship Management (CRM), Automated Advanced Metering Infrastructure (AMI), Grid and Enterprise with mPower Fluentgrid CIS being the flagship product.

**Geographically diversified and further expansion of product portfolio:** Extending its product line, the company now also has a Command-and-Control Centre (CCC) offering for cities that would act as a single platform integrating various department and city level IT systems, provide advanced city level data analytics and visualization features for key stakeholders through dashboards, reports etc. over multiple mediums and an incident reporting and management tool for citizen grievances, asset management or other aspects to enable better city governance. All this is implemented through Fluentgrid's innovative Actelligence platform. In addition, leveraging their strength around developing revenue protection, CIS/CRM solutions for utilities, the company's smart city offerings include additional modules for city/urban local body revenue management, asset management and smart street lighting. In addition to product offering through system integrations, company is currently emphasizing on its service offerings such as Software as a service and associated services to the utilities for providing cloud billing and spot billing services. Along with expanding its portfolio of offerings, the company has been diversifying through growth in new geographies winning several new projects outside India in the recent past most of which are funded through development financial institutions like World Bank. The company has clients across various states offering various services.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Established track record with reputed clientele:** Fluentgrid has BPO/Spot billing & technical support services contracts with various utilities in India such as Pashimanchal Vidyut Vitran Nigam Ltd (PVVNL), Dakshinanchal Vidyut Vitran Nigam Ltd (DVVNL) etc. Fluentgrid's software mPower product modules were selected for implementation of U.S Agency for International Development (USAID) distribution project in Afghanistan. The company's scope for this project was licensing, installation & commission of its product suite. Fluentgrid has diversified its offerings adding smart city projects wherein the company offers solutions through its software such as enrolment for a service, meter to cash, revenue protection, citizen service requests, smart metering, smart grids, asset and maintenance management, control centre operations etc. The company also deployed integrated command and control centers for Visakhapatnam, Kochi and Lucknow smart cities.

**Healthy growth in total income albeit decline in profitability margins:** During FY21, total operating income (TOI) of Fluentgrid witnessed a Y-o-Y growth of around 7.1% to Rs.305.08 crore compared to Rs. 284.86 crore during FY20. Moreover, TOI increased substantially (13.71% y-o-y) in 9MFY22 to Rs.210.78 crore as compared to previous years. Owing to the political and financial turmoil post the takeover of Afghanistan by Taliban and resultant international sanctions, Fluentgrid has written-off the balance receivables from Da Afghanistan Breshna Sherkat (DABS) as bad debts during FY21 totalling Rs.22.70 crore. This has affected the profitability to the extent of 6.5% during FY21.

PBILDT margin of the company moderated by around 666 bps to 17.98% during FY21 from 24.64% during FY20 primarily owing to bad debt of Rs. 22.07 crore written off. Adjusting to the one time write off of bad debts of Rs.22.7 crore, the PBILDT% declined to around 18% in FY21 (PY: 24.64%). PBILDT margin during 9MFY22 was at 18.35%.

**Healthy and diversified order book position:** As on October 31, 2021, the company had an outstanding order book of Rs. 526.95 crore, mostly to be executed in Q4FY22-FY23 providing revenue visibility for medium term. The confirmed order book translates to 1.73x of total income in FY21. There has been no new orders after October 2021. Out of the order book of Rs.526.95 crore as on October 31, 2021, the company is expected to execute orders worth Rs.161.05 crore by March 2022, Rs.230.34 crore during FY23, and orders of Rs.50.01 crore during FY24. The order book of the company is moderately concentrated with top three clients contributing 50%. The order book remains strong and is expected to be completed within next three years hence providing medium term revenue visibility.

**Positive growth outlook of the industry albeit inherent risk associated with tender based business:** Fluentgrid is exposed to risks associated with tender based nature of the business. The company has to bid for the supply of training simulators to government entities. Company obtains its entire 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 at times also be extremely slow when dealing with government agencies.

Nevertheless, with the Indian Government's Smart City Mission, launched in 2015, with total envisioned investment of over Rs.2,05,000 crore through 5,151 projects. The Government of India has come up with the mission to develop 100 cities across the country making them citizen friendly and sustainable. The Union Ministry of Urban Development is responsible for implementing the mission in collaboration with the state governments of the respective cities. With increased focus on development of smart cities and make in India initiative, the companies like Fluentgrid who provide software solutions such as enrolment for a service, meter to cash, revenue protection, citizen service requests, smart metering, smart grids, asset and maintenance management, control centre operations for the smart cities have huge opportunities. The company has received orders from Bangalore Smart City Limited for system implementation giving additional boost to the growth of the company.

**Comfortable capital structure and debt coverage metrics:** Capital structure of the company continues to remain comfortable backed by relatively strong net worth. Net worth of the company on back of strong accretion of profits has increased to Rs.144.42 crore as on March 31, 2021, as compared to Rs.122.75 crore as on March 31, 2020. Accordingly, overall gearing of the company continued to stand comfortable at 0.59x as on March 31, 2021 (0.61x as on March 31, 2020).

Further backed by comfortable cash accruals during the year both at operating and net level, debt coverage metrics of the company remained comfortable for FY21. Interest coverage ratio stood at 3.75x in FY21 (PY: 5.83x) and total debt to gross cash accruals was 1.60x in FY21 (PY: 1.55x).

## Key Rating Weaknesses

**Stretched working capital cycle:** The operating cycle of the company deteriorated to 170 days in FY21 as against 141 days in FY20 owing to increased collection period. The collection period continued to remain stretched at 226 days in FY21 (FY20: 194 days). Collection period is on a higher side owing to delay in realization of dues state owned DISCOMS and execution of projects where the billings is done on milestone basis leading to increase in debtors from Rs.167.28 crore as on March 31, 2020, to Rs.212.23 crore as on March 31, 2021. Nevertheless, with better realization of receivables during 9MFY22, the receivable outstanding has reduced to Rs.184.64 crore (with collections of Rs.272.96 crore against the work done of Rs.247.37 crore during 9MFY22).

## Liquidity: Adequate:

The liquidity profile of the company is adequate. The company has been generating sufficient cash accruals vis-à-vis the repayment obligations. However, given the working capital-intensive nature of operations, fund based working capital utilization of the company in the past 12 months ending October 2021 remained high at around 93%. The current ratio of the company remains at 1.44x at the end of FY21, owing to the high reliance on external funding of working capital requirement. Considering

the cash accruals generated by the company in the past along with improved realization of debtors during 9MFY22, it is expected that the debt obligations could be met comfortably. The company had debt obligations of Rs. 10.04 crore during FY22, out of which it has already repaid Rs. 7.08 crore as on December 31, 2021.

**Analytical approach:** Standalone

**Applicable Criteria:**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Service Sector Companies](#)

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

[Liquidity Analysis – Non-Financial Sector](#)

**About the Company**

Fluentgrid Limited (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 name of the company got changed to current nomenclature. Fluentgrid along with its wholly owned subsidiaries currently have offices in Vishakapatnam, Hyderabad, Kabul, Singapore and USA. The company is managed by Mr. G S Murali Krishna (Managing Director and CEO) 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, and compliant with Capability Maturity Model Integration (CMMI) Level-5 and is a member of industry bodies including NASSCOM, CII and Smart Cities Council. The company currently has several global partnerships within India and the other regions.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (P)
Total operating income	284.86	305.08	210.78
PBILDT	70.20	54.85	38.68
PAT	37.96	20.62	14.58
Overall gearing (times)	0.61	0.59	NA
Interest coverage (times)	5.83	3.75	2.89

A: Audited; P: Provisional; NA: Not Available

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Not Applicable

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	84.00	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	141.00	CARE A3+
Fund-based - LT-Term Loan		-	-	September 2025	11.00	CARE BBB+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	84.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (26-Mar-21)	1)CARE BBB+; Negative (17-Mar-20) 2)CARE BBB+; Negative (05-Mar-20)	1)CARE BBB+; Negative (06-Feb-19) 2)CARE BBB+; Negative (05-Apr-18)
2	Non-fund-based - ST-Bank Guarantee	ST	141.00	CARE A3+	-	1)CARE A3+ (26-Mar-21)	1)CARE A3+ (17-Mar-20) 2)CARE A3+ (05-Mar-20)	1)CARE A3+ (06-Feb-19) 2)CARE A3+ (05-Apr-18)
3	Fund-based - LT-Term Loan	LT	11.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (26-Mar-21)	1)CARE BBB+; Negative (17-Mar-20) 2)CARE BBB+; Negative (05-Mar-20)	1)CARE BBB+; Negative (06-Feb-19) 2)CARE BBB+; Negative (05-Apr-18)
4	Non-fund-based - ST-BG/LC	-	-	-	-	-	-	1)CARE A3+ (05-Apr-18)

\* Long-term / Short-term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of 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: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

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

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### About CARE Ratings Limited:

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