

## Fluentgrid Limited

March 05, 2020

### Ratings

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	63.14 (Enhanced from Rs.49.65 crore)	<b>CARE BBB+; Negative (Triple B Plus; Outlook: Negative)</b>	Reaffirmed
Short-term Bank Facilities	52.21 (Enhanced from Rs.45.00)	<b>CARE A3+ (A Three Plus)</b>	Reaffirmed
<b>Total facilities</b>	<b>115.35</b> <b>(Rupees One hundred fifteen crore and thirty five lakh only)</b>		

Details of facilities in Annexure-1

#### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of fluentgrid Limited continue to derive strength from experienced promoters supported by well qualified management team, established track record in offering innovative technology solutions for the energy sector, geographically diversified product portfolio, healthy growth in total income and profitability margins, healthy and diversified order book position and positive growth outlook for smart grid industry. The ratings also factor in the further expansion of product portfolio. The rating strengths are, however, partially offset by, exposure of the order book towards utility companies whose liquidity profile is relatively weak, stretched working capital cycle with high average collection period.

#### Outlook: Negative

The negative outlook on rating reflects the prolong delay in realizing the receivables pertaining mainly from Da Afghanistan Breshna Sherkat (DABS) which if continued would result in moderation of liquidity profile. The outlook may be revised to 'Stable' if the company is able to realize the receivables on time.

#### Key Rating Sensitivities

##### Positive Sensitivities

- Maintaining of PBILDT% more than 27% on sustained basis.
- Timely realization of receivables and ability to maintain average collection period below 90 days.

##### Negative sensitivities

- Deterioration of overall gearing of the group beyond 1.00x.
- Delay in realization of receivables from Discoms and DABS leading to debtor days beyond 200 days.

#### Detailed description of the key rating drivers

##### Key rating Strengths

**Experienced promoters:** Mr. G S Murali Krishna (Managing Director and CEO) has been present in the field of Information Technology for about one and a half decade. He has an experience of around 5 years in steel industry with overall experience of two decades. He is being supported by well qualified team of management.

**Established track record in offering innovative technology solutions for the energy sector:** As an integrated enterprise technology solutions provider, Fluentgrid over the past 15 years has developed strong utility domain expertise. The company has extended its solutions from traditional Customer Information System (CIS) and Constituent 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.

**Established relationship with reputed clientele:** Over the years, the company managed to establish relationships with reputed clientele. The company has BPO/Spot billing & technical support services contracts for various

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

utilities in India. The company's clientele include Orissa Power Transmission Corporation Ltd (OTPL), Uttar Pradesh Power Corporation Ltd (UPPCL), Pashimanchal Vidyut Vitran Nigam Ltd (PVVNL), Dakshinanchal Vidyut Vitran Nigam Ltd (DVVNL) among others.

**Geographically diversified and further expansion of product portfolio:** Extending its product line, the company now 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. 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. Along with expanding its product portfolio, 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.

**Healthy growth in total income and profitability margins:** On account of the materialization of service orders such as cloud billing, spot billing services etc, in full scale during FY19, total operating income of Fluentgrid has witnessed an y-o-y growth of around 49% to Rs. 192.03 crore compared to Rs. 129.22 crore during FY18, backed by higher cash accruals at operating level. The PAT and PAT margin have also witnessed an improvement by around 36% and 248 bps respectively during FY19. During 9MFY20, the company has recorded total operating income of Rs. 217.60 crores with PBILDT margins of around 28.47%.

**Healthy order book position:** As on October 31, 2019, the company had an outstanding order book of Rs. 844 crore (order book of Rs. 537.43 crore as on December 31, 2018) to be executed in Q3FY19-FY22 providing revenue visibility for short term to medium term. The confirmed order book translates to 4.20x of total income in FY19.

**Comfortable capital structure and debt coverage indicators:** Capital structure of the company continues to remain comfortable backed by relatively strong net worth; overall gearing of the company continued to stand comfortable at 0.79x as on March 31, 2019 (0.88x as on March 31, 2018). Further backed by comfortable cash accruals during the year both at operating and net level, debt coverage metrics of the company remained comfortable for FY19.

#### Key Rating Weaknesses

**Elongated working capital cycle:** The operating cycle of the company elongated to 152 days in FY19 as against 131 days in FY18 owing to longer collection period. Collection period continued to remain stretched at 225 days in FY19 (FY18: 237 days). Collection period is on a higher side owing to delay in realization of dues from DABS, state owned DISCOMS and execution of projects where the billings in done on milestone basis.

**Concentrated order book with high exposure towards utility companies:** Order book position of the company is concentrated with top three clients contributing to 55% of the outstanding working in hand and the majority of the order book pertains to orders from utility companies whose credit profile remains weak. Any delay in the realization of the receivables will impact the liquidity profile of the Fluentgrid.

**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 December 2019 remained high at around 83%. The current ratio of the company also stood moderate at 1.32x owing to the high reliance on external funding of working capital requirement.

**Analytical approach:** Standalone

Earlier, CARE in its analysis has considered the consolidated business and financial risk profiles of Fluentgrid Limited, Phoenix Consultancy Services and Fluentgrid Systems LLC as the entities are linked through a parent-subsidary relationship and collectively have common management, business & financial linkages. However, Fluentgrid Limited along with aforementioned entities although continues to have common management but in terms of business all the other companies operate independently without much of financial and operating linkages. Nonetheless CARE takes into cognizance the exposure of Fluentgrid Limited towards DABS in terms of realizing its receivable from them towards a very specific project. Considering the aforementioned change in scenario CARE has now changed its analysis on standalone financials basis.

### Applicable Criteria

[Criteria on rating process](#)

[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](#)

### About the Company

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 (four facilities including two in the Special Economic Zone), Hyderabad, Dubai, Kabul, Bishkek, Abu Dhabi and in Chandler, USA.

Fluentgrid provides smart technology driven products and turnkey system integration services for utilities, communities and cities with solutions that focus on revenue assurance, customer management and citizen engagement functionalities, meter data, assets and mobile work force management, city level data analytics enhancing quality of city governance and various meter to cash services for these target segments. The company is ISO 9001:2008 certified, 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)	FY18 (Audited)	FY19 (Audited)
Total operating income	129.22	192.03
PBILDT	36.60	52.50
PAT	14.65	23.86
Overall gearing (times)	0.88	0.79
Interest coverage (times)	3.42	4.17

**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:** NA

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	52.00	CARE BBB+; Negative
Non-fund-based - ST-Bank Guarantees	-	-	-	52.21	CARE A3+
Fund-based - LT-Term Loan	-	-	Mar 2025	11.14	CARE BBB+; Negative

## 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	
1.	Fund-based - LT-Cash Credit	LT	52.00	CARE BBB+; Negative	-	1)CARE BBB+; Negative (06-Feb-19) 2)CARE BBB+; Negative (05-Apr-18)	-	1)CARE BBB+; Stable (28-Mar-17)	
2.	Non-fund-based - ST-Bank Guarantees	ST	52.21	CARE A3+	-	1)CARE A3+ (06-Feb-19) 2)CARE A3+ (05-Apr-18)	-	1)CARE A3+ (28-Mar-17)	
3.	Fund-based - LT-Term Loan	LT	11.14	CARE BBB+; Negative	-	1)CARE BBB+; Negative (06-Feb-19) 2)CARE BBB+; Negative (05-Apr-18)	-	1)CARE BBB+; Stable (28-Mar-17)	
4.	Non-fund-based - ST-BG/LC	-	-	-	-	1)CARE A3+ (05-Apr-18)	-	1)CARE A3+ (28-Mar-17)	

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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