September 02, 2025

Digitide Solutions Limited: [ICRA]A+(Stable)/[ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term/Short Term - Fund based Limits	125.00	[ICRA]A+(Stable)/[ICRA]A1+; assigned
Short Term – Non-fund Based Limits - Bank Guarantee	85.00	[ICRA]A1+; assigned
Long Term/Short Term - Unallocated limits	40.00	[ICRA]A+(Stable)/[ICRA]A1+; assigned
Long Term/Short Term - Interchangeable limits	(100.00)	[ICRA]A+(Stable)/[ICRA]A1+; assigned
Commercial Paper	100.00	[ICRA]A1+; assigned
Total	**350.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings factor in Digitide Solutions Limited's (DSL) strong market position in the business process management (BPM) segment and extensive experience of its promoters in the industry in addition to its growing presence in the digital engineering, data analytics and artificial intelligence (AI) segments. Besides, it has a reputed client base across end-user industries including banking, financial services & insurance (BFSI), manufacturing, healthcare and FGT etc. DSL's strong financial profile, characterised by strong debt metrics, healthy profitability, and a strong liquidity position further underpins the ratings. ICRA also notes that the company enjoys financial flexibility owing to its strong promoter profile, wherein one of the promoters, Fairfax Financial Holdings (Fairfax; rated Baa2 (Stable) by Moody's), holds an approximately 34.1% stake in DSL.

The company witnessed a revenue growth of 6.3% in FY2025, supported by a healthy rise of the BPM segment, which increased by around 14.2% during the year. In contrast, the Tech & Digital segment witnessed a decline in revenues due to ramp-down of certain non-core, low-efficiency businesses. ICRA expects the company's revenues to witness a healthy growth in FY2026, supported by continued expansion in both BPM, and tech & digital segments. DSL's operating profit margin (OPM) stood at 14.0% in FY2025. While the OPM is expected to witness a slight contraction in FY2026 due to continued investments in manpower and leadership following the demerger, the OPM is expected to remain healthy. The net profit margin of the company stood at 3.8% in FY2025 due to exceptional items of around Rs. 25 crore related to discontinued projects and demerger-related expenses. Excluding the above, the PAT margin would have been at 4.6%. DSL's capital structure continues to remain strong with no external long-term debt on the balance sheet (excluding lease liabilities). The company's debt metrics remain comfortable with TD/TNW at 0.4 times and TD/OPBDITA at 0.9 times as on March 31, 2025. ICRA expects that DSL would continue to maintain its strong financial risk profile, supported by healthy cash accruals, comfortable capital structure and coverage indicators.

The ratings also consider DSL's moderate sectoral concentration risks as BFSI accounted for 54% of its revenues in FY2025. However, its strong market position in the BFSI BPM segment, diversified geographical presence, and its long relationships with key customers in the BFSI industry mitigate the risk to an extent. ICRA also notes that the company's profitability remains exposed to intense competition and the continual wage increase and high attrition rates prevalent in the business process outsourcing (BPO) and IT services industry. ICRA also notes the company's plans to grow inorganically through acquisitions in the short-to-medium term. Any debt-funded acquisition or higher-than-anticipated upstreaming of funds, impacting the company's credit metrics, will remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectation that DSL is likely to sustain its strong market position and healthy financial profile even as its operating margins may be impacted to a certain extent due to the ongoing investments in leadership, product development and delivery capabilities.

Key rating drivers and their description

Credit strengths

Established track record and strong market position in the BPM segment – DSL has a proven operational track record in the BPM industry with an experience of more than 20 years. It benefits from the strong relationship that it has developed with renowned customers in the BFSI, manufacturing, healthcare and FGT domains. DSL is one of the largest players in the domestic BPM industry with an associate employees count of around 55,000 as on March 31, 2025. ICRA expects DSL's revenues to witness a healthy growth in FY2026, supported by continued expansion in the BPM segment.

Reputed client base across industries – The company enjoys a reputed client base across industries such as Banking, Financial Services & Insurance (BFSI), manufacturing, healthcare and FGT etc., DSL's long relationships with marquee clients lead to sizeable recurring revenues over the years. The company's customer concentration remains low with the top 10 customers contributing 36% to its revenues in FY2025.

Strong financial risk profile, characterised by healthy profitability, low leverage and strong liquidity position – The company witnessed a revenue growth of 6.3% in FY2025, supported by a healthy growth of the BPM segment, which grew by around 14.2% during the year. In contrast, the tech & digital segment witnessed a decline in revenues due to ramp-down of certain non-core, low-efficiency businesses. ICRA expects the company's revenues to witness a healthy revenue growth in FY2026, supported by continued expansion in both BPM, and tech & digital segments. DSL's OPM stood at 14.0% in FY2025. While the OPM is expected to witness a slight contraction in FY2026 due to continued investments in manpower and leadership following the demerger, the OPM is likely to remain healthy. The net profit margin of the company stood at 3.8% in FY2025 due to exceptional items of around Rs. 25 crore related to discontinued projects and demerger-related expenses. Excluding the above, PAT margins would have been at 4.6%. DSL's capital structure continues to remain strong with no external long-term debt on the balance sheet (excluding lease liabilities). The company's debt metrics remain comfortable with TD/TNW at 0.4 times and TD/OPBDITA at 0.9 times as on March 31, 2025. ICRA expects DSL continue to maintain its strong financial risk profile, supported by healthy cash accruals, comfortable capital structure and coverage indicators.

Credit challenges

Moderate sectoral concentration risk with BFSI contributing 54% to revenues – DSL's revenues are exposed to moderate sectoral concentration risks as the BFSI segment accounted for 54% of its revenues in FY2025. However, its strong market position in the BFSI BPM segment, diversified geographical presence, and its long relationships with key customers in the BFSI industry mitigate the risk to an extent.

Exposure to high attrition, continual wage increases, and forex risks inherent in IT services and BPO industry – The company is operating in the IT services and BPO industry, which is characterised by continual wage increases and high attrition rates. Thus, its profitability remains exposed to fluctuations in hiring/ training costs for its employees. Further, DSL has a presence across geographies with revenues denominated in foreign currency, exposing it to forex risks.

Intense competition from a large number of players in domestic market – The company derives a sizeable portion of its revenues from the BPO industry, where it faces stiff competition from several organised and unorganised players. As outsourcing is primarily driven by cost savings, the industry remains competitive about pricing the services. ICRA expects DSL's ability to embed AI and automation into its service delivery model along with an increasing share of the tech & digital segment is likely to mitigate this risk to a certain extent, going forward.

Environmental and social risks

Environmental considerations – The company's exposure to environmental risks remains low as it is present in the BPM industry. DSL is reducing its resource consumption by ensuring better energy efficiency standards and recycling waste.

Social considerations – DSL operates in the Business Process Management industry, which faces moderate social risks. These include regulatory changes, employee management challenges, and broader political or economic developments that could impact operations. However, the organised sector's emphasis on compliance and streamlined labour codes provides some support. Additionally, changes in immigration laws in key developed markets driven by social and political factors may intensify competition for skilled talent, potentially increasing attrition and affecting profitability.

Liquidity position: Strong

DSL's liquidity position is strong, aided by healthy cash flow generation, unencumbered cash and cash equivalents of Rs. 266.3 crore as on March 31, 2025 (on a consolidated basis), and a cushion available in the form of unutilised fund-based working capital limits of Rs.100 crore as on June 30, 2025. Moreover, the company's low debt levels (excluding lease liabilities) continue to support its financial flexibility. DSL is likely to incur a maintenance capex of Rs.70-80 crore per fiscal, which is expected to be funded through internal accruals. Despite the same, its liquidity profile is expected to remain comfortable, supported by strong accrual generation.

Rating sensitivities

Positive factors – The rating could be upgraded if DSL demonstrates a healthy growth in its revenues, profitability and accruals while maintaining its comfortable credit metrics and liquidity position on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a decline in DSL's accruals or any debt-funded acquisition results in a material increase in the debt levels on a sustained basis. Specific credit metrics that could lead to ratings downgrade include total debt/ OPBDITA above 2.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of DSL.

About the company

Digitide Solutions Limited (DSL) was incorporated in February 2024 in Bengaluru and is promoted by Mr. Ajit Isaac and Fairfax. The company was created out of demerger of the global technology solutions (GTS) segment from Quess Corp Limited. DSL is a BPM, digital and technology services provider with major presence in BFSI, manufacturing, healthcare and FGT domain. Its services include payroll processing, insurance processing, AI-led digital solutions, CRM digitisation, tele-sales support, non-voice BPO services and information technology services. The company has presence across 40 locations in five countries and a workforce of around 55,000 employees. The company also holds a 73.39% stake in Alldigi Tech Limited.

Key financial indicators (unaudited)

Consolidated	FY2025
Operating income	2875.0
PAT	108.0
OPBDITA/OI	14.0%
PAT/OI	3.8%
Total outside liabilities/Tangible net worth (times)	0.8
Total debt/OPBDITA (times)	0.9
Interest coverage (times)	10.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	September 02, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based Limits	Long Term/ Short Term	125.00	[ICRA]A+(stable)/ [ICRA]A1+	-	-	-	-	-	-
Bank Guarantee	Short Term	85.00	[ICRA]A1+	-	-	-	-	-	-
Interchangeable limits	Long Term/ Short Term	(100.00)	[ICRA]A+(stable)/ [ICRA]A1+	-	-	-	-	-	-
Unallocated limits	Long Term/ Short Term	40.00	[ICRA]A+(stable)/ [ICRA]A1+	-	-	-	-	-	-
Commercial Paper	Short Term	100.00	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/Short Term - Fund based Limits	Simple
Short Term - Non-Fund Based Limits - Bank Guarantee	Very Simple
Long Term/Short Term - Interchangeable limits	Simple
Long Term/Short Term - Unallocated limits	NA
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based Limits	NA	NA	NA	125.00	[ICRA]A+(stable)/[ICRA]A1+
NA	Bank Guarantee	NA	NA	NA	85.00	[ICRA]A1+
NA	Interchangeable limits	NA	NA	NA	(100.00)	[ICRA]A+(stable)/[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	40.00	[ICRA]A+(stable)/[ICRA]A1+
Not placed	Commercial Paper	NA	NA	NA	100.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation approach
Alldigi Tech Limited	73.39%	Full consolidation
Alldigi Tech Inc, USA	100.00% by Alldigi Tech Limited	Full consolidation
Alldigi Tech Manila Inc., Philippines	100.00% by Alldigi Tech Limited	Full consolidation
Brainhunter Systems Limited	81% by MFXchange Holdings Inc. and 19% by Digitide Solutions Limited	Full consolidation
Heptagon Technologies Private Limited	100%	Full consolidation
MFXchange (USA), Inc.	100% by MFXchange Holdings Inc.	Full consolidation
MFXchange Holdings, Inc.	55.68% by Digitide Solutions Limited and 44.32% by Quess Corp. (USA) Inc	Full consolidation
Mindwire Systems Limited	100% by Brainhunter Systems Limited	Full consolidation
Quess Corp (USA) Inc.	100%	Full consolidation
Quess GTS Canada Holdings Inc.	100% by Quess Corp (USA) Inc.	Full consolidation

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Mythri Macherla
+91 22 6114 3435
mythri.macherla@icraindia.com

Piyush Kedar
+91 22 6114 3469
piyush.kedar@icraindia.com

Kesavulu Mannaru
+91 80 4332 6434
kesavulu.Mannaru@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches