

January 28, 2025

Excelra Knowledge Solutions Pvt. Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term – Fund based - Term Loans	47.00	18.00	[ICRA]A- (Stable); Reaffirmed
Long-Term – Fund based working capital facilities	0.00	25.00	[ICRA]A- (Stable); Reaffirmed
Short-Term –Fund based working capital facilities	15.00	15.00	[ICRA]A2+; Reaffirmed
Short-Term - Non-fund based working capital facilities	(6.00)	(6.00)	[ICRA]A2+; Reaffirmed
Long-Term/Short-Term - Unallocated limits	0.00	4.00	[ICRA]A- (Stable)/[ICRA]A2+; Reaffirmed
Total	62.00	62.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings of Excelra Knowledge Solutions Private Limited (Excelra) reflects ICRA’s opinion that the financial profile of the company will remain healthy, characterised by modest leverage and healthy profitability, resulting in comfortable debt coverage metrics. The ratings draw comfort from its experienced promoters, the company’s track record of more than a decade in providing data curation and analytical services to the life sciences industry and its established relationships with customers, which have been providing repeat business consistently. ICRA notes that the company has made the pending acquisition payment of Rs. 20.55 crore to BISC in April 2024 and intends to make the balance payment of Rs. 20.55 crore by March 2025 from its existing cash reserves. The company does not expect to incur any target-based contingent payment linked to certain performance achievements by BISC.

The ratings are, however, constrained by the company’s moderate scale of operations, given its niche business segment. The ratings also consider Excelra’s high exposure to customer and geographical concentration risks, with ~65% of revenues derived from its top five clients and ~74% of revenues from the US. However, with the acquisition of BISC and its clientele in Europe, the company’s geographical, product and customer diversity are expected to improve in the medium term, apart from lending benefits of scale, although the pace of such improvement remains to be seen. Notably, the share of revenue from the US has declined to 74% in FY2024 from 78% in FY2023, with increase in share of revenue from Europe to 24% in FY2024 from 19% in FY2023. The ratings note that Excelra’s revenues and profitability are exposed to fluctuations in foreign exchange (forex) rates as most of its revenues are generated in foreign currency. However, ICRA notes that the company hedges its forex exposure on a continuous basis. Besides, the company’s ability to retain talent remains key to all its business segments.

The Stable outlook reflects ICRA’s opinion that company will continue to benefit from its established relationships with key customers, which will lead to a steady increase in standalone revenues and integration of BISC’s business, which will be ramped up gradually. Coupled with healthy profit margins and limited capital expenditure (capex) outgo, this will help in maintaining its strong financial profile.

Key rating drivers and their description

Credit strengths

Healthy business profile and promoters' vast experience in the pharmaceutical data analytics industry – Excelra has an experience of over a decade in providing data curation and analytical services for supporting the pharmaceutical and drug discovery sector. The company has built curated databases for scaling up its presence in the industry. Along with a large pool of scientists and qualified professionals, this continues to support the business prospects of the company. The promoters' vast experience in the pharmaceutical and life sciences industries has supported business operations by associating with reputed clientele. The recent acquisition of BISC is expected to expand the addressable market for the company and strengthen its capabilities in the bioinformatics space.

Financial profile characterised by strong profit margins and healthy debt coverage metrics – The company has witnessed a modest revenue growth of 7% in FY2024 vis-à-vis FY2023, though the operating profit margin (OPM) moderated to 29.8% in FY2024 from 31.4% in FY2023, with a higher contribution from the technology services division, rise in employee costs and lower margins in BISC business (impacted by lower new orders). Nevertheless, the debt metrics remained healthy, characterised by total debt vis-a-vis the operating profit of 0.5 times as on March 31, 2024, and an interest coverage of 10.1 times in FY2024. ICRA expects the debt coverage metrics to sustain in the near term, supported by no stated large debt addition plans and expectations of healthy profitability levels. Further, Excelra had free cash and bank balance of ~Rs. 45 crore as on December 31, 2024, which lends comfort. ICRA will continue to monitor the conditional payouts for the BISC acquisition and the subsequent effect on the credit metrics. As a substantial earnings improvement for BISC will trigger target payouts, Excelra will also have access to these additional cash flows to address these payments. However, the management does not expect any conditional payouts.

Established relationship with reputed customers lending revenue visibility – The company has established relationships with global and reputed pharmaceutical companies and has secured repeat orders from its key clientele over the years. However, timely execution of orders and renewal of existing contracts would remain key for the company's revenue trajectory. The company also has a portfolio of products and services, which lends revenue diversity.

Credit challenges

Moderate scale of operations – Despite the improvement in the scale of operations in FY2023 and FY2024, the company's scale of operations continued to be moderate at Rs. 299.5 crore (consolidated) in FY2024. The company witnessed modest revenue growth of 7% in FY2024 vis-à-vis FY2023 and is likely to record flat revenues in FY2025. While the company has a proven track record of repeat orders from its key customers, execution of the same will be critical for improving its scale. The revenue addition from the acquired entity will further improve its scale, though the pace of the same remains to be seen.

High customer and geographic concentration risks, though expected to reduce with the recent acquisition – The company is exposed to customer concentration risk as it generates ~65% of revenues from the top five customers. While established relationships with its customers provide comfort to a certain extent, improvement in customer diversification would remain a key monitorable. Further, the company derives over 70% of revenue from the US market. The European business from BISC is expected to improve its geographical diversification. Notably, the share of revenue from the US has declined to 74% in FY2024 from 78% in FY2023 with an increase in share of revenue from Europe to 24% in FY2024 from 19% in FY2023.

Exposed to forex fluctuations and industry-specific risks like wage inflation and attrition – With most of its revenues generated in foreign currency, the company's revenues and profit margins remain vulnerable to fluctuations in forex rates. However, Excelra has hedging policies in place, wherein its forex exposures are covered by forward contracts on a timely basis. Nonetheless, any unfavourable movement in forex rates could impact the company's earnings to a certain extent. Further, the company is impacted by industry-specific factors such as wage inflation and challenges of retention and reskilling of its talent pool. However, ICRA notes that the wage costs have stabilised in the present fiscal and the attrition level has been modest,

which is expected to continue in the medium term. As of January 2, 2025, the company had 570-580 employees on its payroll and 350-400 contractual employees, and the attrition rate remained below 5%.

Liquidity position: Adequate

The company’s liquidity position is adequate, characterised by free cash and bank balance of ~Rs. 45 crore as on December 31, 2024. The company has fund-based working capital limits of Rs. 40 crore, wherein the average utilisation stood at ~25% from April 2024 to August 2024. The company has not utilised any limit from September 2024. Excelra has existing debt repayment obligation of Rs. 16.95 crore in FY2025 and Rs. 8.70 crore in FY2026 and has annual capex plans of ~Rs. 24 crore for maintaining and revamping its existing products. Also, the company expects to pay the balance Rs. 20.55 crore (\$2.5 million) towards the acquisition of BISC Global by March 2026. ICRA expects Excelra’s liquidity position to remain adequate over the medium term on the back of its healthy accruals and existing cash and bank balance.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of improved customer diversification, significant revenue growth momentum while maintaining healthy profitability, liquidity position and debt coverage metrics on a sustained basis.

Negative factors – Pressure on the ratings could arise with reduction in revenues and/or margins, or if there is higher-than anticipated dividend pay-out or weakening of coverage or return indicators owing to sizeable debt-funded organic/inorganic expansion or target-based pay outs. Specific trigger for a rating downgrade would be Total debt/OPBDITA of more than 2.3x 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	Consolidated

About the company

Excelra Knowledge Solutions Pvt. Ltd. (previously known as GVK Informatics Private Limited) was incorporated in FY2014 and is owned by the Reddy (GVK Group) and Brar (Davinder Singh Brar, former MD of Ranbaxy Laboratories) families. The company was demerged from GVK Biosciences Pvt. Ltd. (incorporated in FY2000; now renamed as Aragen Life Sciences Pvt. Ltd.) in FY2014. Excelra provides data curation, analytical services and technology solutions to the biopharmaceutical industry.

Excelra has been a data and analytics partner to over 90 global biopharma companies, including 17 of the top 20 pharmaceutical companies in the world and some of the leading drug-discovery-focused AI companies.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	279.71	299.51
PAT	61.67	56.16
OPBDIT/OI	31.43%	29.79%
PAT/OI	22.05%	18.75%
Total outside liabilities/Tangible net worth (times)	0.55	0.49
Total debt/OPBDIT (times)	0.70	0.46
Interest coverage (times)	25.11	10.11

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: 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	Type	Current year (FY2025)			Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-Term	18.00	Jan 28, 2025	[ICRA]A-(Stable)	May 02, 2023	[ICRA]A-; rating watch with developing implications	Apr 06, 2022	[ICRA]A-(Stable)		
					Oct 06, 2023	[ICRA]A-(Stable)				
Fund based working capital facilities	Long-Term	25.00	Jan 28, 2025	[ICRA]A-(Stable)	-	-	-	-	-	-
Fund based working capital facilities	Short-Term	15.00	Jan 28, 2025	[ICRA]A2+	May 02, 2023	[ICRA]A2+; rating watch with developing implications	Apr 06, 2022	[ICRA]A2+		
					Oct 06, 2023	[ICRA]A2+				
Non-fund based working capital facilities	Short-Term	(6.00)	Jan 28, 2025	[ICRA]A2+	May 02, 2023	[ICRA]A2+; rating watch with developing implications	Apr 06, 2022	[ICRA]A2+		
					Oct 06, 2023	[ICRA]A2+				
Unallocated limits	Long-Term/Short-Term	4.00	Jan 28, 2025	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-Term – Fund based - Term Loans	Simple
Long-Term – Fund based working capital facilities	Simple
Short-Term –Fund based working capital facilities	Simple
Short-Term - Non-fund based working capital facilities	Very Simple
Long-Term/Short-Term - Unallocated limits	Not Applicable

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	Long-Term – Fund based - Term Loans	FY2022	NA	FY2026	18.00	[ICRA]A- (Stable)
NA	Long-Term – Fund based working capital facilities	NA	NA	NA	25.00	[ICRA]A- (Stable)
NA	Short-Term –Fund based working capital facilities	NA	NA	NA	15.00	[ICRA]A2+
NA	Short-Term - Non-fund based working capital facilities	NA	NA	NA	(6.00)	[ICRA]A2+
NA	Long-Term/Short-Term - Unallocated limits	NA	NA	NA	4.00	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Excelra Inc. USA	100.00%	Full Consolidation
Excelra B.V. Netherlands	100.00%	Full Consolidation
Anlitiks Inc. USA	55.00%	Full Consolidation
BISC Global Holding BV, Netherlands	100.00%	Full Consolidation
BISC Global CVBA, Belgium	100.00%	Full Consolidation
BISC Global Germany Gmbh, Germany	100.00%	Full Consolidation
BISC Global Gmbh, Switzerland	100.00%	Full Consolidation
Exclera Employees Welfare Trust, India	100.00%	Full Consolidation

Source: Annual report FY2024

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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.

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