

March 14, 2025

Paradigm IT Technology Services Private Limited: [ICRA]BBB(Stable)/ [ICRA]A3+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term-Fund Based-Cash Credit	7.0	[ICRA]BBB (Stable); assigned
Short Term-Non Fund Based limits-Bank Guarantee	59.4	[ICRA]A3+; assigned
Long Term Fund Based Term Loan	60.5	[ICRA]BBB (Stable); assigned
Long Term/Short Term-Unallocated	3.1	[ICRA]BBB (Stable)/ [ICRA]A3+; assigned
Total	130.0	

*Instrument details are provided in Annexure I

Rationale

The assigned ratings factor in Paradigm IT Technology Services Private Ltd.'s (Paradigm) long track record in staffing solutions and IT services segments and significant experience of the promoters in the industry. The company has a diversified revenue profile, with corporate staffing accounting for ~70-72% of its revenues, followed by IT services constituting ~13-15% of its revenues. The company's established customer base in the corporate staffing division, which includes Avenue Supermarts Ltd., Vodafone Idea Ltd., Magicbricks Realty Services Ltd. and Ola Electric Mobility Pvt Ltd., has supported a healthy growth in revenues over the past five years. In the IT services segment, the company has an established relationship of around two decades with its only client, Medidata Solutions Inc, leading to steady revenues. The company is also involved in executing cyber security projects and has recently secured a project from the Maharashtra Government worth Rs. 179.9 crore, which is expected to span over FY2025 – FY2030, accounting for a material share of revenues in the near term. Besides, the company also executes skill development and E-governance projects.

The company's revenue grew at a healthy CAGR of ~35% during FY2021 – FY2024 on the back of robust order inflow across the segments. It is expected to record healthy revenue growth in the term, supported by revenues from the Maharashtra cyber security project, while maintaining operating margins of 9-11%. The ratings also factor in Paradigm's healthy financial profile characterised by comfortable debt metrics with total debt / OPBITDA of 1.2 times and DSCR of 3.4 times in FY2024. Nevertheless, its debt metrics are expected to moderate in the near term owing to debt availed to fund the working capital requirements for the Maharashtra project.

The ratings are constrained by the company's moderate scale of operations in the highly competitive staffing solutions and IT services segments, impacting its pricing flexibility. Moreover, both industries are characterised by high employee attrition rates. The company faces high customer concentration risk as entire revenues from the IT services vertical are derived from a single client. In staffing solutions, the top five clients accounted for 37% of the segment's revenues in FY2024, indicating moderate concentration. However, ICRA notes that the company has been adding new customers regularly in the staffing solutions space. The company's revenues remain susceptible to demand cycles of end-use industries and the performance of its customers, given the high concentration. The ratings are also constrained by working capital-intensive operations and the expected elongation of its working capital cycle, going forward, given the longer receivables cycle of the cyber security project.

The Stable outlook reflects ICRA's view that Paradigm will continue recording healthy growth in revenues and earnings, backed by consistent order inflow from its established customer base, supporting its financial profile.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in the industry - Paradigm is promoted by Mr. G Sridhar, having extensive experience of over two decades in the IT services and staffing business, which has supported the company in developing established relationships with its client base.

Diversified revenue streams - The company has diversified revenue streams, including staffing business, software development, cyber security projects and skill development. The staffing business is expected to record single-digit growth in FY2025 and FY2026, driven by steady demand for manpower services. The company has established a relationship with its software client, resulting in stable revenues from the segment. Paradigm also secured a Rs. 179.9-crore cyber security project from the Maharashtra government in FY2025, which is expected to be executed over FY2025-FY2030 and projected to account for ~15-17% of the company's revenue in FY2026.

Healthy financial profile - The company's revenue grew at a CAGR of ~35% from FY2021 to FY2024 on the back of strong demand in corporate staffing and IT services segments, which led to improved earnings. The company's debt metrics have been comfortable as indicated by total debt / OPBITDA of 1.2 times, interest coverage of 5.8 times and DSCR of 3.4 times in FY2024. However, the company is expected to draw down Rs. 40 crore working capital term loan to fund the working capital requirements of the new cyber security project, which has a repayment period of 5 years and 8 months. The increased debt levels and higher repayment obligations are expected to result in a moderation in its debt metrics going forward.

Credit challenges

Moderate scale of services in the competitive industry - The company's scale of operations is moderate, as indicated by revenues from Rs. 221.7 crore from the staffing solutions segment, which accounted for 71.5% of the company's revenues in FY2024. Staffing solutions is a highly fragmented industry, with competition from both organised and unorganised players. This constrains the company's price flexibility and therefore, limits its margins to single digits. Moreover, it is a small player in the vast IT services segment with revenue of Rs. 46.3 crore in FY2024.

High customer concentration especially in IT services segment - The company's top 5 customers of staffing business contributed ~35%-40% of the staffing revenues in FY2024. Paradigm has only one client in the IT services segment, although it has long standing relationship of over two decades with its client. Any moderation in demand from the customer would impact the company's revenues materially given the high concentration.

Revenues remain susceptible to end user industries' performance - The staffing business's prospects are highly dependent on the performance of the client as the manpower requirement is directly proportional to the growth prospects of the end-user industry. In case of a slowdown in the end-user industry, the decision by the clients to reduce the outsourced employees may impact the company's revenues.

High working capital intensity - The company had a receivables cycle of 45-70 days in the past three years, which led to working capital intensity of ~25-30%. Paradigm's working capital intensity is expected to increase materially in the near term, given the longer receivables cycle of the cyber security project. It availed a project-specific capital term loan of Rs. 40 crore to fund its working capital requirement, which is expected to be drawn down completely by the end of March 2025. Moreover, the company's bank guarantee (BG) requirement has also increased due to the cyber security project.

Liquidity position: Adequate

The company had a buffer of ~Rs.1-2 crore in its working capital limits as on December 31, 2024 and it typically maintains free cash balances of ~Rs. 6-7 crore. Its retained cash flows are expected to be negative in FY2025 owing to high working capital requirements of the cyber security project; the same is expected to be funded through a term loan of Rs. 40 crore term debt,

apart from internal accruals and monetisation of a few investments. The company has repayment obligations of ~ Rs. 14-15 crore in FY2026, and it is expected to generate retained cash flows of ~Rs. 20 – 25 crore during the year.

Rating sensitivities

Positive factors – Ratings could be upgraded if sustained improvement in scale of operations and earnings, supported by healthy order inflow, leads to improvement in liquidity position and debt metrics.

Negative factors – Pressure on the ratings may arise if any material decline in the revenues or profitability affects its debt metrics. Moreover, any material stretch in the working capital cycle, impacting its liquidity position, could also trigger a downgrade. Any sizeable support extended to Group entities, affecting its liquidity position or debt profile, would also be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT- Software & Services Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated financials of the company were used to arrive at the assigned ratings.

About the company

Paradigm IT Technology Services Private Ltd. is promoted by Mr. G Sridhar. In 2000, he started the business in USA and later incorporated a company called Gadhi Paradigm in India in 2002. The entity was later converted to E Centric Solutions Pvt. Ltd. and subsequently renamed Paradigm IT Technology Services Pvt. Ltd. The company specialises in providing end-to-end staffing solutions, predominantly in non-IT sectors. It also has a software vertical that offers IT solutions for clients involved in clinical trial analysis (i.e., CDM, Stats, MW). It also executes e-Governance, skill development and cyber security projects for the Central and State Governments. Although it was previously involved in smart city projects, these have now been demerged to a different promoter-owned entity.

Key financial indicators (audited)

Paradigm IT (consolidated)	FY2023	FY2024
Operating income	289.9	319.4
PAT	10.2	11.2
OPBDIT/OI	8.1%	9.0%
PAT/OI	3.5%	3.5%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	1.1	1.2
Interest coverage (times)	6.3	5.8

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

Current (FY2025)			Chronology of rating history for the past 3 years									
			FY2025		FY2024		FY2023		FY2022			
Instrument	Type	Amount rated (Rs. crore)	Mar 14, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Long Term-Fund Based-Cash Credit	Long Term	7.0	[ICRA]BBB (Stable)	-	-	-	-	-	-	-	-	
Short Term-Non Fund Based limits-Bank Guarantee	Short Term	59.4	[ICRA]A3+	-	-	-	-	-	-	-	-	
Long Term Fund Based Term Loan	Long Term	60.5	[ICRA]BBB (Stable)	-	-	-	-	-	-	-	-	
Long Term/Short Term-Unallocated	Long Term/Short Term	3.1	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-	-	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund Based-Cash Credit	Simple
Non-Fund Based Limits-Bank Guarantee	Very simple
Fund Based Term Loan	Simple
Unallocated	NA

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-Cash Credit	NA	NA	NA	7.0	[ICRA]BBB (Stable)
NA	Non-Fund Based Limits-Bank Guarantee	NA	NA	NA	59.4	[ICRA]A3+
NA	Fund Based Term Loan	Aug-2024	NA	Mar-2030	60.5	[ICRA]BBB (Stable)
NA	Unallocated	NA	NA	NA	3.1	[ICRA]BBB (Stable)/ [ICRA]A3+

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	Paradigm IT ownership	Consolidation approach
Manasa Hotels Private Ltd	85.6%	Full consolidation
Paradigm IT Technologies Pvt Ltd	46.4%	Full consolidation
E Gram IT Services Private Ltd	90.0%	Full consolidation
Ikeva Venture and Knowledge Pvt Ltd	28.8%	Full consolidation
Terracis LLP	10.0%	Full consolidation

Source: Paradigm IT Technology Services Pvt Ltd. Consolidated Annual report FY2024

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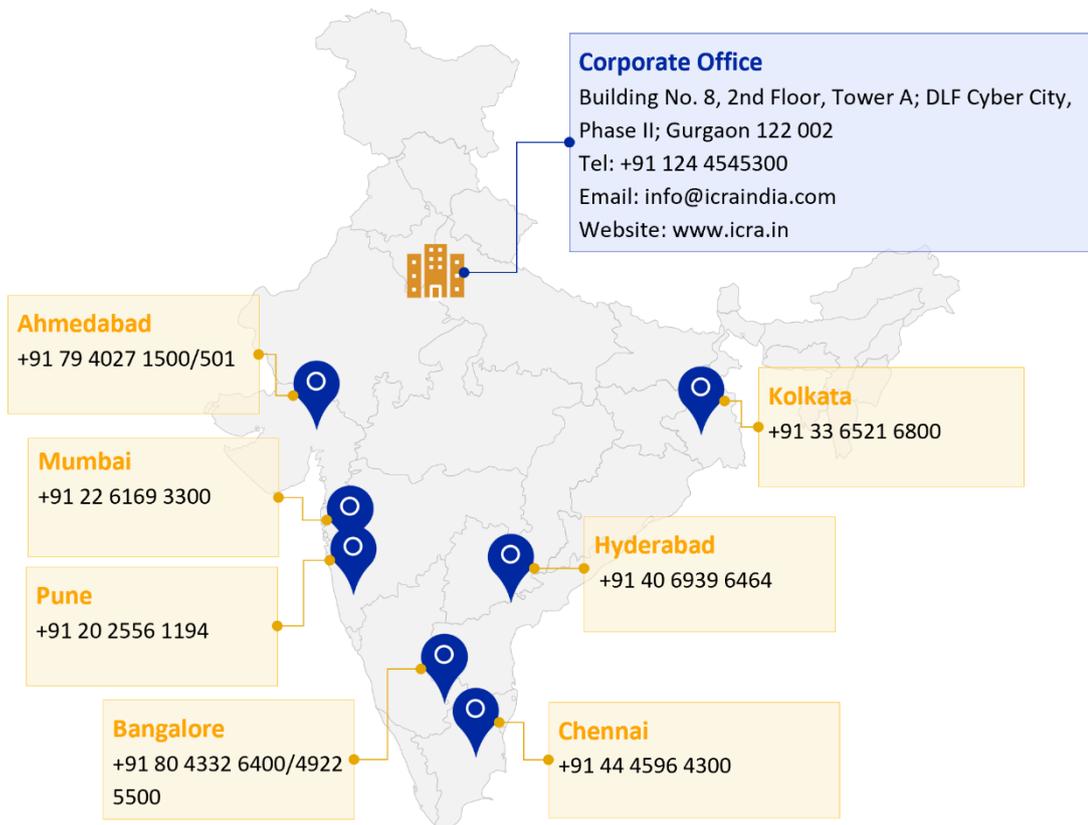
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