

April 29, 2025

## Embee Software Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

| Instrument*   | Previous rated amount<br>(Rs. crore) | Current rated amount<br>(Rs. crore) | Rating action   |
|---|--------------------------------------|-------------------------------------|---|
| Long-term Fund-based – Working Capital Facilities                   | 105.50                               | 113.50                              | [ICRA]BBB (Stable), reaffirmed/ assigned for enhanced amount            |
| Long-term/ Short-term – Non-Fund based – Working Capital Facilities | 39.50                                | 55.50                               | [ICRA]BBB (Stable)/ [ICRA]A3+, reaffirmed/ assigned for enhanced amount |
| <b>Total</b>  | <b>145.00</b>                        | <b>169.00</b>                       |   |

\*Instrument details are provided in Annexure I

### Rationale

The ratings favourably consider the established operational track record of Embee Software Private Limited (Embee) as an information technology (IT) service provider to reputed institutional clients and relationship with globally renowned vendors in the IT space. The ratings also draw comfort from Embee's strategic engagement with its key supplier, Microsoft. Around 80-90% of Embee's revenues, over the past few years, has been derived from sales of Microsoft products. ICRA notes that the top line of the company witnessed a steady growth over the past few years, majorly driven by an increasing sale of cloud-based products. In line with the increasing scale of operations, relatively lower employee costs and other overheads, the operating margin of the company improved to 1.8% in FY2025 [Provisional – (P)] from 0.9% in FY2023. The net margin followed a similar trend, however, it still stood low at around 0.9% in FY2025 (P).

The ratings, however, are constrained by the limited pricing flexibility due to the competitive nature of the business, which keeps Embee's operating margin under check. ICRA also notes the entity's high receivable level, which exerts pressure on its liquidity position, and its high total outside liabilities relative to the tangible net worth due to significant dependence on creditor funding. However, a consistent increase in the credit limit by Microsoft supports the sustainability of such creditor funding. ICRA notes that the debt protection metrics of the company witnessed a steady improvement over the past two years on the back of an increase in profits and cash accruals from the business. However, the same still stood at a moderate level. Going forward, the company's ability to improve its margins, while growing its revenue without stretching the working capital cycle, will be the key determinants of its financial risk profile.

The Stable outlook on the long-term rating reflects ICRA's opinion that Embee's operational and financial performances will continue to benefit from its established track record of operations and generation of adequate cash flows relative to its debt service obligations.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record and relationship with globally renowned vendors in the information technology space** – Embee has an operational track record of more than 30 years as an IT solution provider. It has established working relationships with leading IT vendors like Microsoft, Adobe, Cisco, HP, Trend Micro, Oracle, SAP etc. It has long experience in reselling of software and hardware, and as a solution provider to corporate customers.

**Increasing scale of operations** – The turnover of Embee witnessed a steady growth over the past few years, primarily driven by the increasing off-take of the cloud segment. The top line of the company rose to Rs. 2,223 crore in FY2025 (P) from Rs. 1,904 crore in FY2024, registering a growth of around 17%. With an increasing demand for cloud-based products, the

company's revenue from the cloud segment registered a robust expansion in the recent years and grew by around 26% to Rs. 1,693 crore in FY2025 (P) from Rs. 1,344 crore in FY2024. The cloud segment contributed around 76% to the company's turnover in FY2025 (P). While revenue from the software segment moderated to an extent in FY2025 (P), the revenues from the service segment registered a growth compared to FY2024. In view of rapid growth in the cloud segment, both in terms of new additions as well as renewal, and the company's focus on the service segment, ICRA expects that the turnover of the company is likely to witness a growth of around 10% in FY2026, on a YoY basis.

**Strategic engagement with Microsoft strengthens Embee's business profile** – Embee generates the major portion (80-90%) of its revenues from the sale of Microsoft products. The company has been designated as a licensing solutions partner (LSP) of Microsoft for volume licensing of software, which is the highest level of channel partnership that Microsoft offers at the national level. This status helps Embee to sell Microsoft products directly to large institutional customers through enterprise agreements (EA). Embee is one of the few LSPs of Microsoft in the country at present. In addition, Embee is also a cloud service provider (CSP) of Microsoft. The company won Microsoft India Area Award 2021 – Cloud Innovation Partner of the Year. The company also won the Microsoft MWP – Partner of the Year Award, India 2022. Embee's strategic engagement with Microsoft strengthens its market position and helps expand its customer base. Also, the company is able to get benefits in the form of higher credit without any security coverage (based on global corporate guarantee of the Noventiq Group) for being a part of the Noventiq Group.

### Credit challenges

**Highly competitive business segment; limited pricing flexibility exerts pressure on margins** – Competitive nature of the business and trading nature of a significant portion of the revenues limit the company's pricing flexibility, keeping the operating margin under check.

**Moderate debt protection metrics, however, improvement witnessed over the past two years** – The operating profit margin (OPM) of the company is inherently low due to the nature of the industry in which it operates, characterised by intense competition among players in a high volume-low margin trading business. Large payout of management fees and other extraordinary expenses resulted in a declining OPM in FY2021-FY2023. The same accentuated further due to write-off of sizeable inventory in FY2023. This, in turn, had adversely impacted the debt coverage indicators of the company. Nevertheless, in line with the increasing scale of operations, relatively lower employee costs and other overheads, the OPM of Embee improved to 1.8% in FY2025 (P) from 0.9% in FY2023. The net margin followed the suit, however, it still stood low at around 0.9% in FY2025 (P). ICRA notes that the debt protection metrics of the company also witnessed a steady improvement over the past two years on the back of an increase in profits and cash accruals from the business. In the absence of any inventory write-off and limited retention bonus to the employees, ICRA expects the profitability of the company to improve gradually, going forward. Accordingly, the coverage indicators of the company are also estimated to improve to an extent in FY2026, on a YoY basis.

**Aggressive capital structure; high total outside liabilities relative to tangible net worth due to substantial creditors funding** – The gearing of the company stood relatively lower at around 1.1 times as on March 31, 2025 owing to low reliance on external debt. However, significant credit availed from the vendors kept the company's total outside liabilities relative to the tangible net worth (TOL/TNW) high at 6.9 times as on March 31, 2025 (7.6 times as on March 31, 2024). A consistent increase in the credit limit by Microsoft supports the sustainability of such creditor funding. Nevertheless, in view of steady accretion to reserves, the capital structure of the company is likely to improve gradually, going forward.

**Large receivables position necessitates high working capital requirement** – Embee's receivable level remained high in the recent years due to significant credit period offered to its customers and a sizeable billing towards the year-end. Moreover, a part of the receivables for project-based revenues has a long recovery schedule post implementation, which increases the receivable level further, exerting pressure on liquidity. These are backed by the credit period offered by vendors and working capital borrowings. Nonetheless, the counterparty credit risk remained low, as reflected by low delinquency in the past.

## Liquidity position: Adequate

The company generated positive cash flow from operations in FY2025, supported by a sharp decline in the working capital intensity of operations. However, the working capital requirement continued to remain high with an increasing scale of operations, which was funded through creditors as well as working capital borrowings. The company's debt repayment obligation remains at a high level. The average utilisation of the working capital limits of the company remained at around 80% during the last 15 months, ended in March 2025. The company's cash flow from operations is likely to remain negative in FY2026, with an increase in the working capital intensity of operations. Nevertheless, absence of any planned capital expenditure programme, undrawn working capital limits and availability of unencumbered cash/ bank balance (around Rs. 275 crore as on March 31, 2025) would be sufficient to meet the additional working capital requirement. ICRA expects the overall liquidity position of the company to remain adequate, in the near term at least.

## Rating sensitivities

**Positive factors** – ICRA may upgrade Embee's ratings if the entity demonstrates a significant improvement in profitability along with a sizeable reduction in receivables, easing its liquidity position.

**Negative factors** – Pressure on Embee's ratings may arise if its revenues and profitability decline significantly. Besides, a stretch in the receivables, exerting pressure on the liquidity position, will also be a credit negative. Specific credit metrics that may trigger ratings downgrade include an interest coverage of less than 2.8 times on a sustained basis.

## Analytical approach

| Analytical approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">IT - Software &amp; Services</a> |
| Parent/Group support            | Not applicable  |
| Consolidation/Standalone        | The ratings are based on the standalone financial statements of the company                         |

## About the company

Incorporated in 1988, Embee Software Private Limited (Embee) was originally promoted by Mr. Sudhir Kothari based in Kolkata. The company mainly acts as an information technology (IT) solution provider to corporate customers through consulting, systems integration, managed services etc. In 2011, the company was awarded the large account reseller (LAR) status by Microsoft for volume licensing business. The company generates around 85% of its revenue from Microsoft products and continues to have strategic tie-ups with other globally renowned principals like SAP, Adobe, HP, Cisco, Epson etc.

Noventiq Group Inc. (formerly known as Softline Group Inc.), through its Indian arm, Noventiq Services India Private Limited (formerly known as Softline Services India Private Limited), acquired a 94.71% stake in Embee Software Private Limited in FY2021. The balance 5.29% stake was acquired by Noventiq Holding PLC from Embee Consulting Services Pte. Ltd in FY2023. Noventiq Group is a licensing solution partner of Microsoft at a global level.

## Key financial indicators (audited)

| Embee, Standalone                                    | FY2023  | FY2024  | FY2025* |
|--|---------|---------|---------|
| Operating income                                     | 1,672.6 | 1,904.3 | 2,222.9 |
| PAT  | 4.0     | 12.3    | 19.1    |
| OPBDIT/OI  | 0.9%    | 1.6%    | 1.8%    |
| PAT/OI   | 0.2%    | 0.6%    | 0.9%    |
| Total outside liabilities/Tangible net worth (times) | 7.7     | 7.6     | 6.9     |
| Total debt/OPBDIT (times)                            | 5.6     | 4.2     | 3.6     |
| Interest coverage (times)                            | 1.3     | 1.9     | 2.7     |

Source: Embee Software Private Limited, ICRA Research; \* Provisional numbers; 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 rating (FY2026)                     |                       |                          |                               | Chronology of rating history for the past 3 years |                               |              |                               |              |                                |
|---|-----------------------|--------------------------|-------------------------------|---|-------------------------------|--------------|-------------------------------|--------------|--------------------------------|
|   |                       |                          |                               | FY2025  |                               | FY2024       |                               | FY2023       |                                |
| Instrument                                  | Type                  | Amount rated (Rs. crore) | Apr 29, 2025                  | Date  | Rating                        | Date         | Rating                        | Date         | Rating                         |
| Fund-based – Working Capital Facilities     | Long term             | 113.50                   | [ICRA]BBB (Stable)            | Mar 5, 2025                                       | [ICRA]BBB (Stable)            | Jan 11, 2024 | [ICRA]BBB (Stable)            | Nov 30, 2022 | [ICRA]BBB+ (Stable)            |
| Non-fund based – Working Capital Facilities | Long term/ Short term | 55.50                    | [ICRA]BBB (Stable)/ [ICRA]A3+ | Mar 5, 2025                                       | [ICRA]BBB (Stable)/ [ICRA]A3+ | Jan 11, 2024 | [ICRA]BBB (Stable)/ [ICRA]A3+ | Nov 30, 2022 | [ICRA]BBB+ (Stable) / [ICRA]A2 |

## Complexity level of the rated instruments

| Instrument  | Complexity indicator |
|---|----------------------|
| Long-term fund-based – Working Capital Facilities                 | Simple               |
| Long-term/ Short-term non-fund based – Working Capital Facilities | 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 Working Capital Facilities 1     | -                | -           | -        | 20.00                    | [ICRA]BBB (Stable)            |
| NA   | Fund-based Working Capital Facilities 2     | -                | -           | -        | 38.50                    | [ICRA]BBB (Stable)            |
| NA   | Fund-based Working Capital Facilities 3     | -                | -           | -        | 30.00                    | [ICRA]BBB (Stable)            |
| NA   | Fund-based Working Capital Facilities 4     | -                | -           | -        | 25.00                    | [ICRA]BBB (Stable)            |
| NA   | Non-Fund-based Working Capital Facilities 1 | -                | -           | -        | 40.50                    | [ICRA]BBB (Stable)/ [ICRA]A3+ |
| NA   | Non-Fund-based Working Capital Facilities 2 | -                | -           | -        | 15.00                    | [ICRA]BBB (Stable)/ [ICRA]A3+ |

Source: Embee Software Private Limited

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

## Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

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