July 29, 2026

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

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action | Financial sector regulator# |
|---|---|---|---|---|
| **Long-term Fund-based – Working Capital Facilities** | 113.50 | 105.50 | [ICRA]BBB (Stable); Reaffirmed | RBI |
| **Long-term/ Short-term – Non-Fund based – Working Capital Facilities** | 55.50 | 76.5 | [ICRA]BBB (Stable)/[ICRA]A3+; Reaffirmed and assigned for enhanced amount | RBI |
| **Total** | **169.00** | **182.00** | | |

**Instrument details are provided in Annexure I*

*#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI.*

## 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 90% of Embee's revenues, over the past couple of 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, mainly driven by rising sale of cloud-based products. The company's operating margin improved to 1.8% in FY2026 [Provisional – (P)] from 1.3% in FY2025 on the back of increasing scale of operations and better control over employee and other overhead expenses. While the net margin exhibited a similar trend, it continued to remain modest at around 1.1% in FY2026 (P).

The ratings, however, are constrained by the limited pricing flexibility due to competitive nature of the business, which keeps Embee's operating margin under check. ICRA notes that the entity's liquidity remains stretched due to high receivables, although the receivable cycle has improved in recent years. The company also continues to exhibit a high total outside liabilities relative to the tangible net worth (TOL/TNW), reflecting its significant dependence on creditor funding. However, the sustainability of such creditor funding is underpinned by Microsoft's continued credit support to the entity. ICRA notes that the debt protection metrics of the company improved in FY2026 (P) on the back of an increase in profits consequent to the improvement in cash accruals. Going forward, the company's ability to sustain margin improvement while expanding its scale of operations without stretching the working capital cycle will remain a key determinant 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 solutions provider. It has established working relationships with leading IT vendors like Microsoft, Adobe, Cisco, HP, Epson, Trend Micro, Oracle, SAP, Dell, 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 in the cloud segment. The top line of the company rose to Rs. 2,683 crore in FY2026 (P) from Rs. 2,199 crore in FY2025, registering a growth of around 22%. With an increasing demand for cloud-based products, the company's revenue from the cloud segment continued to remain the key revenue contributor and stood at around Rs. 2,220 crore in FY2026, contributing approximately 83% to the company's turnover. The cloud business continues to witness regular customer additions and renewals, supporting growth in scale.

**Strategic engagement with Microsoft strengthens Embee's business profile** – Embee generates the major portion (around 90%) of its revenues from the sale and servicing of Microsoft products. The company has been designated as a Licensing Solutions Partner (LSP) of Microsoft for volume licensing of software, which is among the highest levels of channel partnership offered by Microsoft. Further, Embee is one of the few Microsoft partners in India holding both LSP and CSP-1 (Cloud Solution Provider-1) status, enabling direct engagement with Microsoft and management of customer cloud subscriptions without an intermediary. It procures 70-75% of the Microsoft's products directly from the OEM (referred to as T1 when products are directly sourced from the OEM), whereas the balance portion is procured from other dealers/distributors. This status strengthens the company's market position in the cloud ecosystem and supports business growth. Embee's strategic engagement with Microsoft continues to support customer acquisition, recurring revenues and favourable credit terms from Microsoft.

## Credit challenges

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

**Aggressive capital structure; high total outside liabilities relative to tangible net worth due to substantial creditors funding** – The capital structure of the company improved significantly in FY2026, with the gearing declining to 0.3 times as on March 31, 2026 from 1.1 times as on March 31, 2025, supported by healthy accretion to reserves, lower debt levels and improved profitability. The total debt reduced to Rs. 54.8 crore as on March 31, 2026 from Rs. 143.5 crore as on March 31, 2025, while the tangible net worth increased to Rs. 160.5 crore from Rs. 129.9 crore during the same period. Nevertheless, significant credit availed from vendors continues to keep the company's total outside liabilities relative to the tangible net worth (TOL/TNW) elevated, although the same improved to 5.6 times as on March 31, 2026 from 7.3 times as on March 31, 2025. However, sustainability of such creditor funding is underpinned by Microsoft's continued credit support to the entity.

**Moderate debt protection metrics, 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 management fee payouts and other exceptional expenses weighed on the company's margins over the past few years, with the write-off of a sizeable inventory in FY2023 further exacerbating the pressure. Nevertheless, with the increasing scale of operations and better control over employee and other overhead expenses, the OPM improved to 1.8% in FY2026 (P) from 1.3% in FY2025 and 0.9% in FY2023. The company also reported a net write-back of bad debt provisions amounting to Rs. 1.74 crore in FY2026, indicating improved recoverability of receivables. Consequently, the net margin improved to 1.1% in FY2026 (P) from 0.6% in FY2025. Supported by higher profits and cash accruals, the debt protection metrics also improved in FY2026 and are expected to remain adequate over the near term.

**Large receivables position necessitates high working capital requirement** – Embee's receivable position continues to remain sizeable on account of the credit period extended to customers and significant billing towards the year-end. However, the debtor days improved to around 95 days in FY2026 from around 102 days in FY2025, supported by improved collection efficiency. While the working capital intensity remains moderate, the counterparty credit risk remains low, given the established customer profile and favourable collection track record.

## Liquidity position: Adequate

The company's cash flow from operations turned negative in FY2026, owing to higher working capital requirements arising to support the increased scale of operations and a rise in the working capital intensity. ICRA expects the same to remain negative in the near term. The company's long term debt repayment obligation in FY2027 stands at around Rs. 6 crore. The average utilisation of the working capital limits of the company remained at around 86% during the last 12 months, ended in May 2026. Absence of any planned capital expenditure programme, undrawn working capital limits and availability of unencumbered cash/bank balance (around Rs. 135 crore as on March 31, 2026) 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 material improvement in revenues and earnings 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 metrices 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** | Corporate Credit Rating Methodology<br>IT - Software & Services |
| **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 is mainly 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 89% 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) | FY2025 | FY2026* |
|---|---|---|
| **Operating income** | 2,199.3 | 2,683.2 |
| **PAT** | 12.5 | 30.6 |
| **OPBDIT/OI** | 1.3% | 1.8% |

| | | |
|---|---|---|
| **PAT/OI** | 0.6% | 1.1% |
| **Total outside liabilities/Tangible net worth (times)** | 7.3 | 5.6 |
| **Total debt/OPBDIT (times)** | 5.0 | 1.1 |
| **Interest coverage (times)** | 1.9 | 2.6 |

*Source: Company, 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 (FY2027) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2027 | | | FY2026 | | FY2025 | | FY2024 | |
| Instrument | Type | Amount rated (Rs crore) | July 29, 2026 | Date | Rating | Date | Rating | Date | Rating |
| Fund-based- Cash credit | Long Term | 105.50 | [ICRA]BBB (Stable) | Apr 29, 2025 | [ICRA]BBB (Stable) | Mar 05, 2025 | [ICRA]BBB (Stable) | Jan 11, 2024 | [ICRA]BBB (Stable) |
| Non-fund based-Others | Long Term/ Short Term | 76.50 | [ICRA]BBB (Stable)/[ICRA] A3+ | Apr 29, 2025 | [ICRA]BBB (Stable)/[ICRA] A3+ | Mar 05, 2025 | [ICRA]BBB (Stable)/[ICRA] A3+ | Jan 11, 2024 | [ICRA]BBB (Stable)/[ICRA] A3+ |

## 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 | 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 | Financial Sector Regulator# |
|---|---|---|---|---|---|---|---|
| NA | Fund-based Working Capital Facilities 1 | - | - | - | 20.00 | [ICRA]BBB (Stable) | RBI |
| NA | Fund-based Working Capital Facilities 2 | - | - | - | 48.50 | [ICRA]BBB (Stable) | RBI |
| NA | Fund-based Working Capital Facilities 3 | - | - | - | 12.00 | [ICRA]BBB (Stable) | RBI |
| NA | Fund-based Working Capital Facilities 4 | - | - | - | 25.00 | [ICRA]BBB (Stable) | RBI |
| NA | Non-Fund-based Working Capital Facilities 1 | - | - | - | 40.50 | [ICRA]BBB (Stable) / [ICRA]A3+ | RBI |
| NA | Non-Fund-based Working Capital Facilities 2 | - | - | - | 36.00 | [ICRA]BBB (Stable) / [ICRA]A3+ | RBI |

*Source: Embee Software Private Limited*

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*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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## 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

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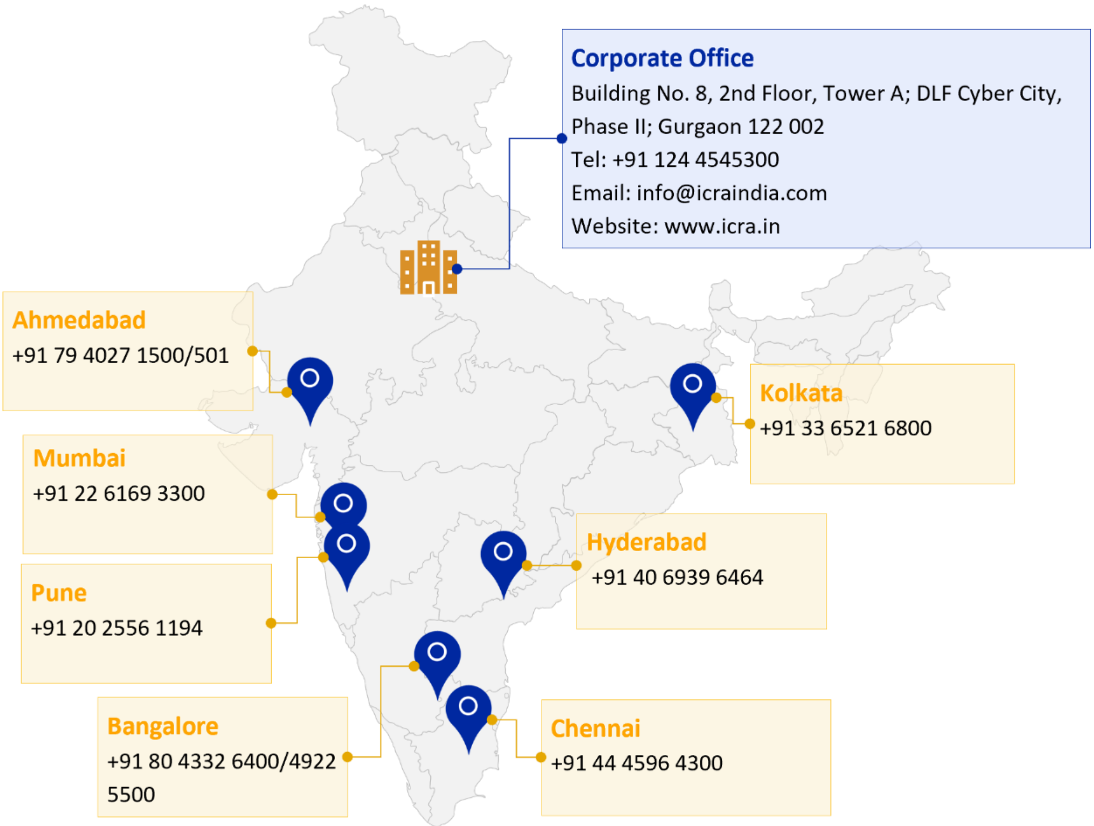




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