October 5, 2021

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001.

Scrip ID: BSOFT
Scrip Code: 532400

Kind Attn: The Manager,
Department of Corporate Services

National Stock Exchange of India Ltd.,
Exchange Plaza, C/1, G Block,
Bandra - Kurla Complex, Bandra (E),
Mumbai – 400051.

Symbol: BSOFT
Series: EQ

Kind Attn: The Manager,
Listing Department

Subject: - Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["the SEBI (LODR) Regulations, 2015"] – Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (LODR) Regulations, 2015, this is to inform you that CARE Ratings Limited ("Credit Rating Agency") has assigned/revised the ratings to bank facilities of Birlasoft Limited, as under –

Facilities	Amount (Rs. Crore)	Rating	Rating Action
Long-term Bank Facilities	243.70	CARE AA; Stable (Double A; Outlook: Stable)	Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)
Long-term/Short-term Bank Facilities (LT/ST)	25.00	CARE AA; Stable/CARE A1+ (Double A; Outlook: Stable/A One Plus)	Assigned
Short-term Bank Facilities	20.00	CARE A1+ (A One Plus)	Assigned
Total	288.70 (Rupees Two Hundred, Eighty-eight Crore and Seventy Lakh Only)		

Press Release dated October 5, 2021, issued by CARE in this behalf is attached herewith. Kindly take this on record.

Thanking you.

Yours faithfully,

For **Birlasoft Limited**

SPadve

BIRLASOFT LIMITED

Sneha Padve
Company Secretary & Compliance Officer

Birlasoft Limited

October 05, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long-term Bank Facilities	243.70	**CARE AA; Stable (Double A; Outlook: Stable)**	**Revised from CARE AA-; Stable (Double A Minus; Outlook: Stable)**
Long-term / Short-term Bank Facilities (LT/ST)	25.00	**CARE AA; Stable / CARE A1+ (Double A; Outlook: Stable/ A One Plus)**	**Assigned**
Short-term Bank Facilities	20.00	**CARE A1+ (A One Plus)**	**Assigned**
Total Bank Facilities	**288.70 (Rs. Two hundred eighty eight crore and seventy lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Birlasoft Limited (Birlasoft) factor in the strengthening of the business risk profile as characterized by increased scale of operations and profitability in FY21 (refers to the period April 01 to March 31). With successful integration with KPIT Technologies Limited in FY20, FY21 was the second year of operations, wherein the company witnessed stabilization and growth post restructuring. During FY21, the company sharpened its focus to build key business verticals through a micro-vertical strategy, made investments on major business partnerships to expand capabilities and increased focus on its top customers for effective client mining, thereby leading to improved deal wins and increased revenue per account. Going forward, with continued focus on such strategic initiatives are expected to yield sustained growth in operations and profitability for the company. The ratings also derive comfort from in the healthy financial risk profile of the company marked by strong debt protection metrics and strong liquidity position.

The ratings continue to derive strength from the strong parentage being part of the C.K Birla group with long track record in IT services business, diversified service offerings, reputed client base and alliances entered by the company to drive business growth.

These rating strengths are, however, partially offset by the geographically concentrated operations of the company and dependence on economic conditions of the foreign markets and exposure to foreign currency fluctuation risk.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Significant improvement in the consolidated scale of operations and profitability margins (PBILDT margin of more than 18%) leading to improvement in its financial risk profile along with diversification of geographies on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any major debt-funded acquisition that can moderate the capital structure leading to overall gearing of more than 0.20x.
- Slow-down in key verticals leading to significant pressure on the income and decline in PBILDT margin to 12% on sustained basis.
- Any major regulatory challenges impacting the operations of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Improved business risk profile

Post-merger, FY21 was the second year of operations for the company. During first year (FY20), the management was more focussed on the merger and stabilization of operations. From FY21 onwards, the management increased its focus to drive growth for the future through dedicated strategies. The same has yielded in increase in new deal wins, share of annuity business and improved profitability during FY21.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

During FY21, the company's deal wins remained robust with total deal wins increasing by 33% y-o-y to US$888 million from US$669 million in FY20. Furthermore, with effective client-mining, the company was able to grow its revenue from Top-20 customers by 19.3% y-o-y and as well as increase the share of revenue from annuity business (increased from around 60% in FY20 to around 70% in FY21). Going forward, the company's deal wins are expected to remain robust with dedicated strategies from the company to drive growth.

During FY21, the company's total income increased 8% y-o-y to Rs.3,579 crore from Rs.3,322 crore in FY20, despite Covid impact. The growth was driven by strong deal wins and improved demand environment for IT services industry. During FY21, the company won deals of around US$888 million, highest ever by the company, with 52% coming from new business and 48% from renewals. The operating profit margin improved to 15.14% in FY21 (PY: 12.74%), driven by improvement in revenue, improved utilization of employees and optimization of general and administration expenses. Also, lower travel expenses due to pandemic aided the profitability.

During Q1FY22 (refers to the period April 01 to June 30), Birlasoft witnessed 7% y-o-y growth in its total income to Rs.967 crore as compared with Rs.907 crore in Q1FY21. The PBILDT margin improved to 17.85% (Q1FY21: 11.56%), driven by increased revenue and utilization of resources. However, on q-o-q basis, PBILDT margin (W/o other income) declined to 15.98% from 16.88%, due to higher subcontractor costs and increased hiring and recruitment costs. For rest of the year, with expected wage hikes and return of travel-related expenditure, the operating margin is expected to moderate marginally. However, it is expected to remain above 15% supported by increase in the revenues and improving operating efficiencies.

Diversified service offerings

Prior to the merger, erstwhile KPIT Technologies Limited was mainly involved in ERP centric services and erstwhile Birlasoft (India) Limited's key areas were digital transformation and custom application development services. The merger brought together very complementary skill sets from both businesses. Birlasoft (India) Ltd had strengths primarily on the non-ERP Digital businesses like CRM, BI & Data Analytics and Application Development, while KPIT IT Services possessed core strengths on the Enterprise Software Solutions like Oracle, JD Edwards, SAP, Infor, etc., and capabilities in Digital Transformation services. The same has improved the growth prospects of the company since integration. Around 45% of its business is derived from ERP centric services (Integrated Enterprise Solutions and SAP), around 32% of business from high growth digital services like Cloud, CRM, BI & Data Analytics (Digital transformation) and remaining business is derived from Custom application services and other horizontals in IT-related services.

Strategic alliances

Birlasoft has entered into strategic alliances with various business partners to widen the gamut of its service offerings. The company's key alliances include Microsoft, Oracle, JD Edwards, SAP, Infor, AWS, Google, Salesforce, etc. Birlasoft is a Microsoft Gold Certified partner with competencies in multiple technology areas, including, Microsoft Dynamics Partner for Enterprise Solution Implementation, Microsoft Azure Cloud among others. The company continues to grow its relationships and partnerships with various platform providers, which aids in winning long-term transformational deals.

Well-diversified and reputed clientele

The company's revenues are diversified across various service offerings, such as the enterprise solutions, technology transformation services and digital services. Furthermore, its clientele is distributed across the Manufacturing, Lifesciences, BFSI and Energy & utilities, providing vertical diversification. As on June 30, 2021, the company is having 291 active clients including reputed companies with whom the company has long track of established relationships. During FY21, the company derived nearly 41% of revenue from Manufacturing vertical, which includes diverse manufacturing industries such as auto, hi-tech, consumer packaging, etc., followed by Lifesciences vertical (26% contribution), BFSI (18%) and Energy & utilities vertical (15%).

Post-merger, the company has been working on pruning small clients which are non-strategic in nature and the same had led to decline in active client base for the company during FY21. The active client base of the company decreased to 291 as on March 31, 2021 from 378 as on March 31, 2020. With increased client-mining efforts on existing major clients during FY21, the company has been improving per client revenue and profitability. Furthermore, the company had increased the client base in higher revenue buckets. As on March 31, 2021, the number of clients in US$5 million+ and US$10 million+ increased by five and two clients, y-o-y, respectively.

Healthy financial risk profile marked by strong debt protection metrics

The company continues to maintain a healthy financial risk profile with a strong capital structure marked by zero bank debt as on June 30, 2021, and comfortable liquidity position, reflecting strong debt protection metrics. The company only had debt in the form of lease liabilities of Rs.128 crore as on March 31, 2021. The overall gearing improved to 0.07x as on March 31, 2021 (PY: 0.10x). Debt coverage metrics improved y-o-y, as the interest coverage ratio stood at 41.55x in FY21 (PY: 26.25x) and Total Debt/PBILDT at 0.24x as on March 31, 2021 (PY: 0.34x).

Part of established group with experienced promoters and management team

Birlasoft is a part of the CK Birla group, which has 40.67% stake in the company, as on June 30, 2021. The C.K. Birla group is a leading industrial group with major presence in diverse range of businesses such as automobiles, auto ancillary products, engineering products, chemical, cement, paper, fan and electrical items. Birlasoft is promoted by National Engineering Industries Ltd (with 38.81% stake in Birlasoft as on June 30, 2021) which is a pioneer in the field of bearing manufacturing in India, is engaged in the manufacturing of various types of ball and roller bearings. The company is led by Mrs Amita Birla who is the Chairman of the company and is assisted by a team of qualified professionals. The company is headed by Mr Dharmander Kapoor, Managing Director & CEO, from June 01, 2019 onwards. He holds a Master's degree from Kurukshetra University, India and has over 30 years of experience in Leadership, Go-to-market Business Development, Enterprise IT delivery, Consulting/Transformation and Software Product Engineering.

Industry outlook

According to National Association of Software and Service Companies (Nasscom), the Indian IT industry's revenue is estimated at around US$194 billion in FY21, an increase of 2.3% y-o-y. The domestic revenue of the IT industry is estimated at US$45 billion and export revenue is estimated at US$150 billion in FY21. Unlike previous years, the growth remained subdued in FY21 due to Covid-19 impact globally. However, the industry witnessed strong recovery in the H2FY21 with increased digital focus and technology spending by the clients. Driven by strong global demand as clients accelerate shift to digital business models, for FY22, the Indian IT services industry is expected to witness robust growth (double digit) in revenue.

Key Rating Weaknesses

Moderate scale of operations and stiff competition from IT majors

The company is a mid-sized player in the Indian IT services industry. For FY21, the company's revenue stood at Rs.3,579 crore, representing a moderate position in the industry. Presence in a highly competitive industry leads to factors such as pricing pressure, deal re-negotiations, deferrals, retention of talent, etc., which are expected to have a direct bearing on the company's revenue growth and profitability.

Furthermore, the company derives its revenues primarily from exports (of services) and exposes it to the economic conditions and regulations of the host countries. Any protectionist measures such as change in immigration laws or new local regulations could create business challenges for the IT companies including Birlasoft.

Geographical concentration and customer concentration risks

Birlasoft' geographical revenue trend remains in-line with the global IT services industry with the US contributing majority of revenues. For FY21, the Americas region contributed 77% of the revenues, followed by Europe (13% contribution) and 9% from Rest of World. Concentration to single geography exposes the company's revenues and earnings to the structural and region-specific challenges. However to mitigate the risks, the company has been focussing to diversify the clientele in different geographies apart from the US in the recent years.

For FY21, the company's top-10 customers contributed nearly 44% of its revenue indicating moderate customer concentration. However, the company's established relationships with its top customers mitigates this risk to an extent.

Exposure to foreign currency fluctuation

The company's exchange risk arises from its foreign currency revenues (primarily in US Dollar). A significant portion of the company's revenue is in foreign currencies (~90% in FY21), while a significant portion of its corresponding costs are in Indian Rupee. The primary cost of the company is employee cost (which is around 70% of its total cost of sales in FY21) and around 45% of employees' expenses are in foreign currency. Thus, the risk mitigates to some extent on account of natural hedging in the form of payables in foreign currency. Furthermore, the company evaluates net exchange rate exposure based on current revenue projections and expected volatility in the market and covers its exposure up to 75% on net basis by using foreign currency derivative instruments which mitigates the risk to some extent. During FY21, the company has booked a net foreign exchange fluctuation loss of Rs.11.0 crore (PY: gain of Rs.23.1 crore).

Liquidity: Strong

Liquidity is marked by healthy cash accruals against nil bank debt repayment obligations. Cash and liquid investments as on June 30, 2021 stood at Rs.1,145 crore, of which Rs.850 crore is invested in India and balance is outside India. Also, the average fund-based working capital utilization for the last 12-month period ended June 2021 remained nil.

Analytical approach: Consolidated

CARE Ratings has taken a consolidated approach of Birlasoft and its subsidiaries, as all these entities are in the same line of business, under a common management, and have strong financial and operational linkages. The particulars of subsidiary companies which are included in consolidation are presented in the Annexures.

Applicable Criteria
[Criteria on assigning 'outlook' and 'credit watch' to credit ratings]
[CARE's Policy on Default Recognition]
[Criteria for Short Term Instruments]
[Liquidity Analysis of Non-Financial Sector Entities]
[Financial ratios - Non-Financial Sector]
[Rating Methodology - Service sector companies]
[Rating Methodology - Consolidation]

About the Company
Birlasoft Limited is a part of the C.K. Birla group and was incorporated in 1995. Birlasoft is chaired by Mrs Amita Birla, wife of Mr CK Birla, who is also one of the directors in the company. Birlasoft is a global provider of IT solutions, services and consulting with operations across globally. Birlasoft provides various digital and IT-related services to its client in the areas of software development, package implementation, application management and testing domain, enterprise and digital technologies. As on June 30, 2021, the company's headcount stood at 11,508.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	3,322	3,579
PBILDT	423	542
PAT	224	321
Overall gearing (times)	0.10	0.07
Interest coverage (times)	26.25	41.55

A: Audited;

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating History for last three years: Please refer Annexure-2
Complexity level of various instruments rated for this company : Annexure 4
Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	213.70	CARE AA; Stable
Fund-based - LT-Working Capital Limits	-	-	-	30.00	CARE AA; Stable
Fund-based - ST-Bank Overdraft	-	-	-	20.00	CARE A1+
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	25.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	213.70	CARE AA; Stable	-	1)CARE AA-; Stable (05-Nov-20)	1)CARE AA-; Stable (07-Jan-20) 2)CARE A+ (CWD) (04-Apr-19)	-
2.	Fund-based - LT-Working Capital Limits	LT	30.00	CARE AA; Stable	-	1)CARE AA-; Stable (05-Nov-20)	1)CARE AA-; Stable (07-Jan-20) 2)CARE A+ (CWD) (04-Apr-19)	-
3.	Fund-based - ST-Bank Overdraft	ST	20.00	CARE A1+	-	-	-	-
4.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	25.00	CARE AA; Stable / CARE A1+	-	-	-	-

**Long-term/Short-term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Working Capital Limits	Simple
3.	Fund-based - ST-Bank Overdraft	Simple
4.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Annexure-5: List of subsidiaries of Birlasoft getting consolidated

Sr. No.	Name of the Entity	Subsidiary / Joint Venture / Associate	% Shareholding by Birlasoft as on March 31, 2021 (directly/indirectly)
1.	Birlasoft Solutions Limited	Subsidiary	100%
2.	Birlasoft Solutions France	Subsidiary	100%
3.	Birlasoft Solution Inc.	Subsidiary	100%
4.	Birlasoft Inc.	Subsidiary	100%
5.	Birlasoft Computer Corporation	Subsidiary	100%
6.	Birlasoft Sdn Bhd	Subsidiary	100%
7.	Birlasoft Solutions ME FZE	Subsidiary	100%
8.	Birlasoft (UK) Limited	Step-down Subsidiary	100%
9.	Birlasoft Solutions GmbH	Step-down Subsidiary	100%
10.	Birlasoft GmbH	Step-down Subsidiary	100%
11.	Enable Path LLC	Step-down Subsidiary	100%
12.	Birlasoft Technologies Canada Corporation	Step-down Subsidiary	100%
13.	Birlasoft Solutions Ltda.	Step-down Subsidiary	100%
14.	Birlasoft Consulting Inc.	Step-down Subsidiary	100%
15.	Birlasoft Solutions Mexico S.A. DE C.V.	Step-down Subsidiary	100%

Note on complexity levels of the rated instrument: *CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**