

December 11, 2024

Perfios Software Solutions Private Limited: [ICRA]A (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits	300.00	[ICRA]A (Stable); assigned
Total	300.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned ratings for Perfios Software Solutions Private Limited (Perfios) factors in its established business position as a tech-enabled, SaaS-based products and platforms provider for various institutions in the banking, financial services, and insurance (BFSI) sector; and its experienced senior management, who have an extensive experience in the industry. The company also benefits from the financial flexibility emanating from its reputed private equity (PE) investors such as Bessemer India Capital Holdings Limited (Bessemer), Pear Valley Investment Limited (Warburg Pincus), Kedaara Capital (Kedaara) and Ontario Limited (Ontario). Perfios' primarily serves financial institutions, offering products that span the entire customer lifecycle, including origination, onboarding, digital KYC, fraud detection, underwriting and decisioning (credit verification, bank statement and financial statement analysis), monitoring, account aggregation, and more. Leveraging the same, the company has developed a reputed client base of several banks and financial institutions, with a healthy repeat business from them. Perfios is also now expanding into various other domains such as payments, securities and investments, e-commerce, legal, consulting, HR-tech etc. Also driven by its established business position in the industry and inorganic growth initiatives, Perfios has reported healthy revenue growth momentum over the last three fiscals, as reflected through a 3-year CAGR of ~60%. The company also maintains a comfortable financial risk profile marked by steady internal accrual generation, sizeable fund raises and external debt free status, translating into comfortable capital structure and healthy coverage position. ICRA also expects the company to continue to look for investment/acquisition opportunities to support its inorganic growth initiatives, which will remain a key monitorable.

The rating is, however, constrained by Perfios' moderate scale of operations and sectoral concentration risks with most of its revenue being generated by the BFSI segment. However, given that its products can be used for multiple other end-user industries such as healthcare, e-commerce and retail, the company is focused on enhancing the revenue contribution from the same in the future. Further, the company's working capital intensity remains high, due to a long receivable cycle since a considerable part of its revenue is generated by public and private sector banks and monthly billings, depending upon volumes of transactions. Perfios also operates in 16 countries across Southeast Asia, West Asia and Africa and aims to strengthen their presence internationally. Additionally, like other industry participants, it continues to face challenges like competition, exposure to foreign currency fluctuations, talent acquisition and retention, and exposure to policies in key operating markets.

The Stable outlook on the long-term rating factors in ICRA's opinion that Perfios will continue to witness healthy revenue growth and accrual generation supported by its diverse solutions' portfolio, reputed client base and healthy recurring revenues, thereby supporting its credit profile.

Key rating drivers and their description

Credit strengths

Experienced senior leadership team and strong financial flexibility emanating from reputed investor profile – Incorporated in 2008, Perfios is led by its founders, Mr. V R Govindarajan and Mr. Debashish Chakraborty, along with an experienced senior

leadership team with extensive experience in the banking and IT products and services industry. Over the years, the company has raised funding from reputed investors, such as Bessemer, Warburg Pincus, Kedaara and Ontario, who collectively hold majority stake in the company as on date. Given the successful track record of its investors in managing diverse businesses across the globe, Perfios benefits from the strategic inputs as well as strong financial flexibility emanating from its investors.

Diversified product/ platforms for SaaS solutions for financial data analysis – Perfios offers various tech-enabled SaaS solutions required for customer origination, onboarding, decisioning, financial statement analysis, bank statement analysis, digital KYC, credit gateway, data aggregation, fraud check verification and account verification. Its products and platforms cover end-to-end lending lifecycle spanning consumer lending, SME lending, financing, insurance and more.

Reputed and diversified client base with healthy repeat business – Perfios' clientele includes reputed domestic and international BFSI companies such as State Bank of India, ICICI Bank Limited, Axis Bank Limited, HDFC Bank, IDFC First Bank Limited, Yes Bank Limited, Kotak Mahindra Bank, IIFL Finance, Hero Fincorp, Piramal Capital & Housing Finance Limited among others. Moreover, a healthy share of business with its existing customers and healthy growth in digitisation in the BFSI segment have led to healthy repeat business for the company over the years.

Comfortable financial risk profile – Perfios' financial risk profile is healthy, supported by increasing accrual generation, comfortable capital structure, strong coverage metrics and adequate liquidity position. The company reported healthy revenue growth over the past two fiscals, led by increasing penetration of its products in the industry and inorganic growth initiatives. In March 2022, Perfios acquired the Mumbai-based KYC services provider, Karza Technologies Pvt Ltd. Along with better pricing position, product mix and increasing economies of scale, this has supported the expansion in its operating margins in recent fiscals. Over the past 5-7 years, the company has raised sizeable funding, which has been consumed towards inorganic growth initiatives as well as in supporting its business operations and product development initiatives. Coupled with higher accretion to reserves, this has led to limited reliance on external debt, translating into a healthy capital structure and coverage metrics for the company. Perfios is likely to maintain its healthy financial profile over the near-to-medium term, aided by steady internal accrual generation and no material increase in its debt levels.

Credit challenges

Moderate scale of operations with relatively high receivable position – With an operating income of Rs. 558 crore in FY2024, Perfios' scale of operations remains moderate with limited track record of generating profits. Moreover, the company's greater than six months' debtor levels remain relatively high on account of sizeable revenue generated from both public sector and private sector banks, together with its monthly billing cycle being dependent on the volume of transactions. However, ICRA notes that the company has not reported any significant bad debts in the past and has, in fact, reported healthy revenue growth in recent years, with the momentum expected to sustain, going forward.

Exposed to sectoral concentration risk – The company is exposed to sectoral concentration risk with the BFSI industry driving most of its revenues since inception. While its end-user industries also include non-BFSI sectors such as e-commerce, healthcare, retail, consumer goods, securities and investments, utilities, legal, consulting, HR-tech etc., and a part of its revenues also being generated from the same, its concentration in the BFSI sector is expected to remain high over the near to medium term, given its lending-focused digital solutions. However, Perfios caters to banks, fintechs, insurance companies, asset management companies, stock broking firms, and payment services companies etc., which provides some comfort.

Industry-specific challenges like competition, forex risk, employee attrition and exposure to policies in key operating markets – The company faces competition from other players in the industry, which limits pricing flexibility to some extent. Perfios' profit margins are also marginally exposed to forex risks as part of its revenues are derived from international markets. However, Perfios' exposure to foreign markets is less than 15% of overall revenues, which provides some comfort. Further, the availability and retention of a skilled workforce continue to be a key challenge. The company also remains exposed to

macroeconomic uncertainties and any adverse regulatory/ legislative changes in its key operating markets of Southeast Asia, West Asia and Africa.

Liquidity position: Adequate

The liquidity position for Perfios is **adequate**, supported by steady internal accrual generation and free cash and bank balances and mutual fund investments of ~Rs. 390 crore as of September 2024. Further, Perfios has minimal capex plans over the near to medium term, which coupled with no major debt repayment liability further supports its liquidity. However, the company continues to scout for investment/ acquisition opportunities to support its inorganic growth initiatives, and a substantial part of its surplus liquidity could get consumed for funding the same. ICRA also notes that the company is in the process of raising fund-based limits from banks to partially fund its working capital requirements.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates significant improvement in its scale of business and accrual generation, supported by growth across verticals and improvement in diversification along with a healthy, sustained liquidity position.

Negative factors – Negative pressure on the rating could arise in case of sharp decline of revenues and profits and/or sizeable debt-funded acquisitions, which could significantly impact its credit metrics and liquidity position. Specific credit metrics that could lead to a rating downgrade include Total Debt/OPBDITA of more than 2.0 times 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	For arriving at the ratings, ICRA has considered the consolidated financials of Perfios. As on March 31, 2024, the company had two subsidiaries, which are listed in Annexure-II.

About the company

Incorporated in 2008, Perfios is a product-technology company with diverse SaaS-based solutions and platforms across the customer lifecycle of financial institutions. The company’s product profile includes customer origination, onboarding (KYC), decisioning and underwriting- KYC, credit assessment and verification, bank statement analysis, financial statement analysis, fraud check and verification, account aggregation etc. for various financial institutions. The company was founded by Mr. V R Govindarajan and Mr. Debashish Chakraborty, who together hold ~10% stake in the company, and is headquartered in Bangalore, India. Over the years, the scale up of operations has been funded through various reputed PE investors such as Bessemer, Warburg Pincus, Kedaara and Ontario, who together hold ~87% stake in the company.

Key financial indicators

Perfios – Consolidated	FY2023	FY2024
Operating income	406.8	557.8
PAT	7.8	71.7
OPBDIT/OI	15.8%	19.1%
PAT/OI	1.9%	12.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.2
Total debt/OPBDIT (times)	2.0	0.9
Interest coverage (times)	5.4	15.3

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 (Rs. Crore)	Rated Dec 11, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long Term	300.00	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based limits	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 limits	-	-	-	300.00	[ICRA]A (Stable)

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	Perfios' Ownership	Consolidation Approach
Perfios Technology Solutions SDN BHD, Malaysia	100.00%	Full Consolidation
Karza AA Technologies Private Limited	100.00%	Full consolidation

Source: Annual Report FY2024

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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.

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