

July 1, 2025

## Iris Business Services Limited: Ratings upgraded to [ICRA]BBB (Stable)/[ICRA]A3+; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	11.75	11.08	[ICRA]BBB (Stable); upgraded from [ICRA]BBB-; outlook revised to Stable from Positive
Short-term – Non-fund based – Bank guarantee	5.00	5.50	[ICRA]A3+; upgraded from [ICRA]A3
Short-term – Non-fund based – Forward contract	1.50	1.50	[ICRA]A3+; upgraded from [ICRA]A3
<b>Total</b>	<b>18.25</b>	<b>18.08</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings upgrade for Iris Business Services Limited (IBSL) factors in the improvement of its financial risk profile, marked by a healthy revenue growth, increasing cash accrual generation, sustenance of its comfortable capital structure and coverage indicators over the recent fiscals, and ICRA's expectations of continuation of the same. Over the past four years, IBSL's revenues rose at a compounded annual growth rate (CAGR) of 22% and in FY2025, IBSL reported a YoY growth of 23%, supported by steady order book execution, new order wins, new product development and increasing global penetration. The company also raised funds of about Rs. 20 crore in July 2024 through preference shares and warrants, which coupled with higher accrual generation and limited reliance on debt supported its healthy capital structure (marked by a gearing of 0.1 times as on March 31, 2025) and comfortable coverage metrics. Going forward, the growth momentum of the company is expected to be supported by new order wins in the supervisory technology (sup-tech) and regulatory technology (reg-tech) segment, along with steady order book execution of tax technology (tax-tech) segment as regulators across the globe increases their focus on compliance and financial reporting. Further, the financial risk profile is expected to remain comfortable over the near-to-medium term on the back of low reliance on debt, absence of any large capex and adequate liquidity position. Additionally, the ratings continue to factor in the company's established operational record and extensive experience of its promoters in the reg-tech/ sup-tech industry and established relationship of the company with reputed clients across geographies.

The ratings, however, remain constrained by IBSL's modest scale of operations, despite healthy revenue growth in recent years. IBSL's operating margin also remains vulnerable to competitive pressure in the industry and wage cost inflation. The company's nature of operations is working capital intensive due to a high receivable cycle, given that a good share of the revenue is derived from public sector clients. Further, its profitability remains susceptible to adverse fluctuations in foreign exchange (forex) rate on account of a considerable revenue contribution from export markets. Nonetheless, this risk is mitigated to an extent, given the presence of a selective hedging policy.

The Stable outlook on the long-term rating of IBSL reflects ICRA's opinion that the company will continue to benefit from its established operational profile, comfortable capital structure, marked by steady internal accrual generation and an adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**IBSL's established operational record and extensive experience of promoters in the IT reg-tech industry** – IBSL provides software-as-a-service (SaaS)-based solutions that are based on extensible business reporting language (XBRL)/other software languages, to several capital market regulators, financial institutions, and enterprises across the globe, for meeting their regulatory compliances, risk management and reporting requirements. The promoters and the senior leadership team of the company have an extensive experience in the reg-tech space, which has continued to benefit its business profile over the years.

**Well-established relationships with reputed customers across geographies** – Over the years, IBSL has maintained an established relationship with various reputed organisations, some of which include Fortune-500 companies as well. Its revenues are diversified across geographies with Africa accounting for 35% of its sales in FY2025, followed by India (30%), Europe and the UK (15%), Asia Pacific (7%), West Asia (7%) and America (6%).

**Comfortable capital structure and coverage indicators** – IBSL's growth momentum over the past three fiscals supported its increasing accrual generation, which coupled with its low debt profile and recent infusion of equity (Rs. 20 crore in FY2025) resulted in a comfortable capital structure and coverage indicators, as reflected in a gearing of 0.1 times as on March 31, 2025, and interest coverage of 24.1 times in FY2025. Moreover, the capital structure and coverage indicators of the company are expected to remain comfortable, supported by steady accrual generation, low reliance on external debt and absence of any large debt-funded capex.

### Credit challenges

**Modest scale of operations** – Despite a healthy revenue growth in the past two fiscals (23% YoY and 39% YoY in FY2025 and FY2024, respectively), IBSL's scale of operations is modest with revenues at Rs. 126 crore in FY2025, resulting in limited economies of scale. Going forward, investing in emerging technology/ solutions in the reg-tech/ sup-tech space and marketing will remain key for expansion of the top line. However, the recent order wins, steady execution of existing orders and new product rollouts are expected to support its revenue over the near-to-medium term.

**Working capital intensive nature of operations** – The nature of operations for IBSL remains working capital intensive owing to an elongated receivable cycle. This is mainly due to a good share of business coming from the public sector clients wherein the receivable period is 60-90 days compared to 45-60 days for private companies/ corporates. However, IBSL has been able to increase its share of business with enterprises in the recent years, which is expected to support in further optimisation of its working capital cycle, going forward.

**Vulnerability of margins to competitive pressure and forex fluctuations** – Given the company's modest scale, its profit margins remain vulnerable to competitive pressure in the industry with larger players offering similar services, mainly in the global markets. Further, due to substantial revenue contribution from exports, IBSL remains vulnerable to forex fluctuations. However, it uses forex-forward contracts to hedge a part of its exposure, which provides some cushion against the forex risk.

### Liquidity position: Adequate

IBSL's liquidity position is adequate, supported by its steady internal accrual generation, unencumbered cash and liquid investments of Rs. 55.8 crore and buffer of Rs. 3.5 crore in working capital limits as of March 31, 2025. While the company is expected to deploy a part of this available surplus towards product development and marketing, its liquidity profile is expected

to remain adequate over the near term on the back of higher internal accrual generation, no debt repayment liabilities and no major capex plans.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded if the company reports a healthy growth in its scale of operations, while maintaining an adequate liquidity position and coverage indicators.

**Negative factors** – The ratings could be downgraded if the company exhibits deterioration in its profitability or an elongation in the receivable cycle, resulting in stress on its liquidity position, on a sustained basis.

## Environmental and Social Risks

**Environmental considerations** – Given its service-oriented business, IBSL's direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

**Social considerations** – Like other Indian IT software solutions/service companies, IBSL faces the risk of data breaches and cyberattacks that could affect the large volumes of customer data that it manages. Any material lapse on this front could result in substantive liabilities, fines, or penalties and reputational impact. Managing various facets of human capital, including skills, compensation, attrition rate and training, are also important differentiating factor among these companies. IBSL's track record on this count has been in line with its mid-sized peers in the industry, which mitigates the human capital-induced social risks.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">IT - Software &amp; Services</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

## About the company

IBSL, established in 2004, provides compliance, data, and analytics related SaaS solutions to regulators and enterprises globally, to help them comply with regulatory requirements, reduce risks, and improve operational efficiency. The company originally operated as a knowledge process outsourcing (KPO) entity before shifting its business to providing SaaS-based IT solutions in the reg-tech/ sup-tech space. Headquartered in Navi Mumbai (Maharashtra), IBSL's operations are spread across India as well as overseas markets such as the UK, Europe, US, West Asia, and Africa.

## Key financial indicators

IBSL – Consolidated	FY2024	FY2025
Operating income	102.3	126.0
PAT	8.8	13.3
OPBDIT/OI	14.9%	15.1%
PAT/OI	8.6%	10.5%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	0.4	0.2
Interest coverage (times)	13.2	24.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 01, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long-term	11.08	[ICRA]BBB (Stable)	Jul 26, 2024	[ICRA]BBB- (Positive)	Jan 12, 2024	[ICRA]BB+ (Positive)	Nov 03, 2022	[ICRA]BB+ (Stable)
Non-fund based – Bank guarantee	Short-term	5.50	[ICRA]A3+	Jul 26, 2024	[ICRA]A3	Jan 12, 2024	[ICRA]A4+	Nov 03, 2022	[ICRA]A4+
Non-fund based – Forward contract	Short-term	1.50	[ICRA]A3+	Jul 26, 2024	[ICRA]A3	Jan 12, 2024	[ICRA]A4+	Nov 03, 2022	[ICRA]A4+

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based – Bank guarantee	Very Simple
Short-term – Non-fund based – Forward contract	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 – Cash credit	NA	NA	NA	11.08	[ICRA]BBB (Stable)
NA	Non-fund based – Bank guarantee	NA	NA	NA	5.50	[ICRA]A3+
NA	Non-fund based – Forward contract	NA	NA	NA	1.50	[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	IBSL's Ownership	Consolidation Approach
IRIS Business Services Limited	100.00%	Full Consolidation
IRIS Business Services (Asia) Pte. Ltd	98.36%	Full Consolidation
Atanou S.R.L.	100.00%	Full Consolidation
IRIS Regtech Sdn. Bhd.	100.00%	Full Consolidation
IRIS Business Services, LLC	100.00%	Full Consolidation
IRIS Logix Solutions Private Limited	50.00%	Full Consolidation

Source: IBSL Financial Results FY2025

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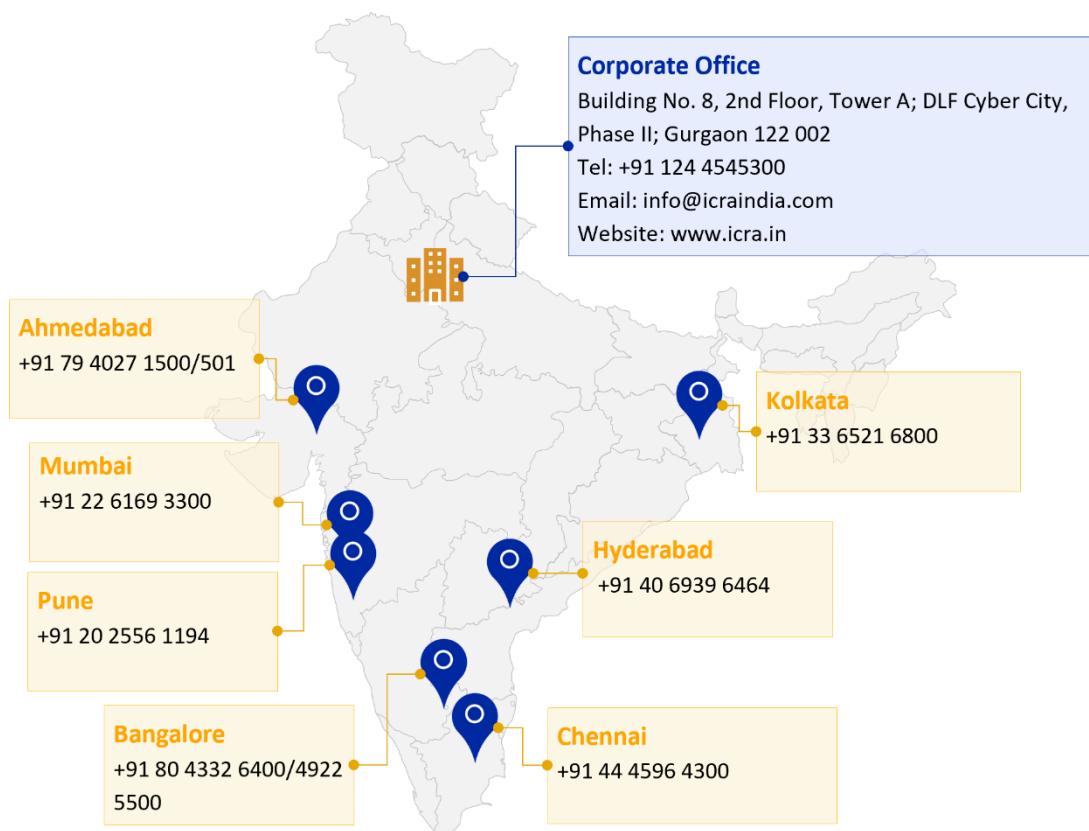
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