

## Rating Rationale

23 March 2026

### Ernst & Young LLP (EY LLP)

Brickwork Ratings assigns the long-term and short-term ratings for the Bank Loan Facilities of ₹ 2902 Crs. of Ernst & Young LLP (EY LLP).

#### Particulars:

Facilities*	Amount (₹Crs.)	Tenure	Rating Assigned#
Fund-Based & Non-Fund-Based ^ Sanctioned	<b>2902.00</b>	Long Term/ Short Term	<b>BWR AA/ Stable / BWR A1+/ Assigned</b>
<b>Total</b>	<b>2902.00</b>	<b>₹Two Thousand Nine Hundred &amp; Two Crores Only.</b>	

\*Annexure I gives details of bank loans

# Please refer to the BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings.

^The rated limits incorporate sub-limits, which are designated to cover working capital mismatches,/ provide a guarantee/ cover Equivalent Risk (LER).

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has assigned ratings of BWR AA/Stable/ A1+ for a debt size of ₹ 2902 Crores to Ernst & Young LLP ('EY LLP' or the 'Firm').

The rating assignment factors in EY LLP's strong market recognition as one of the Big Four Professional Services firms in the world as a member firm of Ernst & Young Global (EYG), and its proven operating history in the professional services sector and its continued evolution into a more technology- and AI-enabled advisory organisation. These factors have supported a well-diversified client base across India and international markets. EY LLP benefits from globally standardised service delivery frameworks, supported by shared knowledge platforms and infrastructure across the EY network. The firm's operations have consistently grown over the years through the expansion of its consulting services, although operating margins moderated owing to stiff competition in the sector. Growing scale and moderating margins, along with the withdrawals and partners' profit sharing of earlier years, resulted in increased working capital requirements.

The Stable outlook reflects BWR's expectation that EY LLP's performance, both in terms of scale of operations and margins, and working capital debt, will remain stable in the near to medium term, thereby maintaining robust capitalisation and adequate debt coverage metrics.

## KEY RATING DRIVERS

### Credit Strengths:-

- **Established track record as one of the Big Four and a global network:**

EYLLP is a member of the EY global network, which is one of the largest global professional services firms. The firm is strengthened by skilled Indian professionals with a strong contextual understanding of India's economic and regulatory environment, while also drawing on the brand strength and global capabilities of the EY network. Each member firm shares processes and knowledge through the network, enabling it to provide a wide range of services to its clients and undertake cross-border assignments.

- **Reputed and diversified client profile:**

EY LLP offers a diversified range of services across Strategy & Transactions (SaT), Consulting, and Tax, which mitigates concentration risk across business verticals. The firm has developed a well-established, diversified client base comprising reputable entities from the private and public sectors, as well as multilateral agencies, thereby supporting revenue stability and repeat business.- In addition, its strength in AI-led capabilities and solutions enhances service delivery across these business lines and reinforces its competitive positioning.

The revenue profile is geographically diversified, with domestic operations contributing approximately 61–63% of total revenue, while the balance is derived from overseas markets, primarily the UK and the USA (approximately 18–25%). The stable domestic presence, along with international exposure, provides a balanced revenue mix and reduces dependence on any single geography.

- **Robust financial risk profile:**

The firm's revenue grew at a CAGR of 11.7% during FY23-FY25, while operating margins were in the range of 5.22% to 10.87% during this period. Operating margins, if adjusted for use of the contingency reserve, would range between 8.07% - 10.87% during FY23-FY25, reflecting continued competition in the sector in which they operate, as well as an increase in partners' remuneration at the end of FY25.

BWR notes that the firm now recognises revenue based on the percentage completion method in FY23-24. The Net Profit Margin (NPM) registered a slight increase of 0.17%, driven by comparatively higher finance costs in the last two fiscals.

The firm's financial risk profile, however, remains strong, reflected in a low gearing ratio of 1.15x in FY24 and 0.91x in FY25, and in the absence of near- or long-term debt obligations. Further, TOL/TNW is improved from 3.55x in FY24 to 2.73x in FY25. ISCR remains comfortable and commensurate with the rating levels. Going forward, the firm's ability to sustain margins while scaling up operations will remain monitorable.

### Credit Risks:-

- **Working capital-intensive industry and exposed to withdrawal of the capital :**

The Receivable days have decreased from 80 to 64 over the last three fiscal years, while the company continues to make monthly salary payments, which is the major cost component. Employee costs are likely to increase with scale, and the gap between receivables and these costs must be funded in a timely manner. Secondly, the extent of payouts to partners from profits and their impact on liquidity, leverage, and the financial risk profile remain key rating sensitivities.

- Competition limits the pricing factor and employee attrition risk:**  
 EY LLP operates in a highly competitive environment dominated by other established Big Four firms, which constrains its pricing flexibility. This impact, however, is partially offset by EYLLP's strong brand reputation and 35% of the market share. The service industry, which is highly reliant on relationships, is inherently vulnerable to employee attrition. Nevertheless, the risk is mitigated by its strong brand equity and effective employee policies.

**ANALYTICAL APPROACH - Standalone**

BWR has relied upon the standalone audited financials up to FY25, publicly available information, and clarification/information provided by the management. Further, to arrive at its ratings, BWR has applied its rating methodology, as detailed in the Rating Criteria, as linked.

**RATING SENSITIVITIES**

**Upward:**

A substantial and consistent improvement in the firm’s operations and operating margins above 10%.

**Downward:**

The rating may be downgraded if credit metrics weaken, a sustained decline in operating margins owing to changes in service line mix, withdrawal of the funds by the partners, a weakening or a change in terms of affiliation with EYG or TOL/TNW above 3.50x on a sustained basis.

**LIQUIDITY INDICATORS - Adequate**

EYLLP’s liquidity position is expected to remain adequate, driven by healthy surplus cash flow generated from operations against the absence of any major debt obligations. The Firm does not have any long-term debt servicing commitment and also maintains a healthy buffer in fund-based working capital limits, with an average utilisation of approximately 39% for the 12 months ended 31 January 2026. The current ratio is comfortable at 1.20x in FY25 (FY24: 1.27x).

Going further, liquidity is anticipated to remain adequate by improvement in cash accruals, modest capital expenditure and funding support by associate companies. However, the extent of payouts to partners from profits and the impact of the same on liquidity remains a key rating sensitivity.

**ABOUT THE ENTITY**

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Consulting Services

Ernst & Young (EY) LLP, India, is incorporated as a Limited Liability Partnership (LLP) under the Limited Liability Partnership Act, 2008. EY India operates as part of the global Ernst & Young network, delivering business strategy & transitions (SAT), Consultancy, and Tax services across the world. The LLP structure supports partnership-led governance, limited liability for partners, and operational flexibility, which is well-suited to professional services firms.

**KEY FINANCIAL INDICATORS (Standalone) ( Refer to Criteria link for Approach to BWR financial ratios)**

		FY23	FY24	FY25
Particulars		Audited	Audited	Audited
Operating Income	₹ Crore	10917.84	12133.68	13612.97
EBITDA	₹ Crore	840.83	1,318.77	710.63
Adjusted EBITDA*	₹ Crore	884.83	1,318.77	1194.79
Net Profit	₹ Crore	387.76	472.19	506.9
Tangible Networth	₹ Crore	995.76	985.05	1422.20
Gearing	Times	0.68	1.15	0.91
Current Ratio	Times	1.13	1.27	1.20

\* Adjusted EBITDA-Considering Contingency Reserve Use.

**KEY COVENANTS OF THE FACILITY RATED:** The terms of sanction include standard covenants stipulated for bank loan facilities.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY:** NA

**RATING HISTORY (Including Withdrawn / Suspended Ratings):**

Facilities		Current Rating (2026)		2025		2024		2023	
Type	Tenure	Amount (₹Cr.)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-Based and Non-Fund-Based^	Long Term & Short Term	2902.00	BWR AA/ Stable /BWR A1+Assigned	-	-	-	-	-	-
<b>Grand Total</b>		<b>2902.00</b>	<b>₹Two Thousand Nine Hundred &amp; Two Crores Only.</b>						

^The rated limits incorporate sub-limits, which are designated to cover working capital mismatches,/ provide a guarantee/ cover Equivalent Risk (LER).

**Hyperlink/Reference to Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Rating](#)
- [Rating Criteria for the Service Sector](#)

**For any other criteria, obtain hyperlinks from the website**



**ANNEXURE-III**

**List of entities consolidated**

<b>Name of Entity</b>	<b>% Ownership</b>	<b>Extent of consolidation</b>	<b>Rationale for consolidation</b>
Nil	Nil	Nil	Nil

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