



Press Release

SCS Tech India Private Limited [STIPL]

March 31, 2021

Rating

S. No	Instrument/ Facility	Amount (INR Crore)	Ratings	Rating Action
1	Issuer Rating	NA	IVR BB [Is] /Stable Outlook (IVR Double B [Is] with Stable Outlook)	Assigned

Details of facilities are in Annexure 1

Rating Rationale

The issuer rating assigned to SCS Tech India Private Limited derives strength from the experienced promoters & management team, Adequate capital structure and comfortable debt protection metrics, Reputed Client base and Wide range of product offerings and a global presence. The rating however is constrained by modest scale of operations, Client Concentration Risks, Working capital intensive nature of operations and Presence in competitive and fragmented industry.

Key Rating Sensitivities:

Upward Rating Factor:

- Substantial & sustained improvement in scale of operations while maintaining the profitability & debt protection metrics.

Downward Rating Factor:

- Any decline in revenue & profitability leading to deterioration in debt protection metrics.

Detailed Description of Key Rating Drivers

Key Rating Strengths



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Experienced promoters & management

Mr. Sujit Patel is a M.D. & CEO cum promoter with an overall experience of around a decade in IT based infrastructure solutions & services. Under his dynamic leadership the company has grown exponentially in a short span of time. Furthermore, he is assisted by his wife Mrs. Roxan Patel who has an overall business experience of around a decade. Further MR. G. Subramania Iyer, (Director S.C.S. Tech) is one of the core members of the SCS group and has expertise in the field of Banking and Finance of more than three decades.

Adequate capital structure and comfortable debt protection metrics

The overall gearing ratio remained healthy at 0.77x as on March 31, 2020 as compared to 1.45x in FY19. Further, the debt protection metrics of the company remained adequate with interest coverage ratio at 3.42x and long-term debt to Equity at 0.67x as on March 31, 2020. Total indebtedness as reflected by the TOL/TNW remained comfortable at 1.94x as on March 31, 2020.

Reputed Client base

STIPL has a reputed client base which comprises of Sterlite Technologies Limited, Directorate of Information Technology, Larsen & Toubro Limited (L&T Limited) Ricoh India Limited and Silver Touch Technologies Limited from where the Company is generating repeated revenue.

Wide range of product offerings and a global presence

With a focus on innovation in the use of technology STIPL has expanded its horizon in multiple cities across the globe in implementing critical software and hardware infrastructure in Disaster Management, Emergency Response System, Cyber Security, Smart Cities, Smart e Governance, City Surveillance System, Intelligent Transport Management System, Digital Platform by using latest technologies like Machine Learning, Artificial Intelligence, Block chain, IoT, Big Data concepts, Data Analytics and Data Mining. STIPL has its presence in India, Hong Kong, Singapore, and Dubai.

Key Rating Weaknesses



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Modest scale of operations

The scale of operations of STIPL are moderate as the company has commenced its operations in FY15 only. However, the scale of operations has improved at a CAGR of 50.44% from FY18 to FY20 and stood at Rs. 69.09 crore in FY20 on the back of healthy order execution.

Client Concentration Risks

In FY20, the top five clients of the company constituted around 89.02% its total revenue with the contribution of its top client alone being 43.51%. The concentration risk is too high for the company with too much dependence on small group of clients.

Working capital intensive nature of operations

STIPL does not maintain any inventory, as the projects are executed by it in a phase-wise manner, wherein the software & hardware components are procured as and when needed. The collection period has significantly stretched to 239 days in FY20 and on account of the same the company has also stretched its creditors as indicated by creditor's period of 189 days in FY20.

Presence in competitive and fragmented industry

STIPL operates in a highly competitive industry with many small, medium-sized and large players operating in the IT industry, providing various IT infrastructure solutions & services. Moreover, the government orders are subject to competitive bidding, thereby inviting the bid participations from many players, thereby intensifying the competition in the industry.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Service Sector Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity Position of the company is adequate supported by current ratio of 1.80x and quick ratio of 1.80x as on 31st march, 2020. Overall cash accruals match comfortably to meet the repayment obligation in FY20. Fund based Working capital utilization stood almost



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NIL during the twelve-month ended December 2020. As on March 31st, 2021 the cash & cash equivalent stood at INR1.49 crore.

About the company

Incorporated in 2010 by Mr. Sujit Patel, SCS Tech India Private Limited (STIPL) is engaged in providing & maintaining various IT infrastructure based solutions viz. disaster management solutions [comprising vehicle tracking system with complete in-built customized software to handle various command & control system, GIS (Geographic Information System) trackers, servers, networking, storages, CCTV (Closed-circuit Television) cameras, etc.] and smart city solutions [comprising installation of various networking solutions, fiber optics, GIS & GPS (Global Positioning System) solutions, etc.].

Financials (Standalone)

(INR crore)

For the year ended / As on*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	72.24	69.09
EBITDA	4.53	5.75
PAT	1.94	2.70
Total Debt	15.57	10.38
Tangible Net Worth	10.73	13.48
EBIDTA Margin (%)	6.27	8.32
PAT Margin (%)	2.66	3.89
Overall Gearing ratio (x)	1.45	0.77

**Classification as per Infomerics' standards*

Details of Non-Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:



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S. No	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Issuer Rating	NA	NA	IVR BB [Is] /Stable Outlook (IVR Double B [Is] with Stable Outlook)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Issuer Rating	-	-	-	NA	IVR BB [Is] /Stable Outlook