



Press Release

SISL Infotech Pvt Ltd

March 23, 2021

Ratings

| Facilities | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action |
|-------------------------------------|---|--|--|----------------------|
| Bank Facilities- Short Term | 50.00 | IVR A3(IVR A Three) | IVR A3(IVR A Three) | Reaffirmed |
| Bank Facilities- Long Term | 10.00 | IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook) | IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook) | Reaffirmed |
| Proposed Short Term Bank Facilities | 70.00 | IVR A3(IVR A Three) | - | Assigned |
| Total | 130.00 (One Hundred and thirty crore only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed/assigned to the bank facilities of SISL Infotech Pvt Ltd derives comfort from its experienced promoters, established market position, sustained revenue growth and comfortable financial risk profile. However, the rating strengths are partially offset by its presence in a highly competitive industry and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement on profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics
- Improvement in the collection period leading to improvement in liquidity

Downward Factors

- Elongation in the operating cycle impacting the liquidity
- Moderation in the capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters, Mr. Akash Nangia and Mr. Arjun Mittal, both SRCC alumnus has around a decade experience in the IT and consulting industry. Driven by grit and passion, they came up with entrepreneurial ventures like SISL & Techjockey, which twisted 'the ordinary start-up tale' and roped in big government projects early on.

Strong y-o-y growth and financial risk profile

SISL has shown a y-o-y growth of 35% in FY20 and strong financial risk profile marked by ROCE of 26.71% and operating cycle of 19 days. The operating revenue has increased to Rs. 447 crore in FY20 whereas it was Rs. 333 crore in FY19 driven by healthy order inflow, order execution and stable revenue from on-going manpower contracts. The debt protection parameters also remained strong with interest coverage ratio of 2.67x and DSCR at 2.05x for the year ended March 31, 2020.

Established market position and distribution network

SISL has an established position as a distributor of computer hardware- and software-related solutions for the government sector such as PMO, NIC, IRCTC. It is a trusted vendor of NIC, NICSI, Rail Tel, ITI, BSNL & Hartron in India and is also one of the 34 GST Suvidha Providers (GSPs) with GSTN.

Key Weaknesses

Modest scale of operations in the intensely competitive industry

Although business risk profile has improved over the years, the company remains a small player in an intensely competitive industry, with turnover of Rs 447.02 crore in FY20.

Working Capital Intensive Operations

The average collection period for FY20 is 83 days and inventory holding period is 18 days. This implies working capital intensive operations where much of the company cash is locked



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up with the customers. On average, the company takes around 82 days to pay its suppliers. However, all payments to suppliers are aligned with a corresponding receipt from customers.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The company has cash and bank balance of Rs.42.45 crore including FDR of Rs. 30.39 crore as on March 31, 2020. The projected GCA would be Rs. 17.44 crore, Rs. 23.35 crore and Rs. 29.12 crore in FY 21, FY22 and FY23 as against repayment obligation of Rs. 7.59 crore, Rs. 2.05 crore and Rs. 2.00 crore for the same period. Further, the company has sufficient gearing headroom due to its comfortable capital structure. Moreover, SISL utilization of the bank limits was satisfactory at around ~43% over the last 12 months ended on November 2020, indicating a satisfactory liquidity buffer.

About the Company

SISL Infotech Private Limited (SISL) is engaged in providing IT consulting services and also act as a trusted vendor of many government entities. The business of SISL Infotech was started with a mission to perform as a key system integrator at identifying, qualifying and delivering IT solutions, and become a recognized name for offering lasting values to both, partners and customers. The company operates out of 4 offices across India. It is also catering to the IT infrastructure needs of international businesses also with offices in the UK & Singapore as well. SISL operates in collaboration with their clients & deliver solutions that work for their business.



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Financials (Standalone):

(Rs. crore)

| For the year ended/ As on | 31-03-2019 | 31-03-2020 |
|----------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 333.21 | 447.02 |
| EBITDA | 20.39 | 22.39 |
| PAT | 10.37 | 10.90 |
| Total Debt | 39.40 | 54.97 |
| Tangible Net worth | 26.92 | 37.51 |
| EBITDA Margin (%) | 6.12 | 5.01 |
| PAT Margin (%) | 3.10 | 2.42 |
| Overall Gearing Ratio (x)^ | 1.45 | 1.53 |

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2020-21) | | | Rating History for the past 3 years | | |
|---------|---------------------------------|-------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. 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. | Letter of Credit/Bank Guarantee | Short Term | 50.00 | IVR A3 | IVR A3 | - | - |
| 2. | Cash Credit | Long Term | 10.00 | IVR BBB-/Stable | IVR BBB-/Stable | - | - |
| 3. | Proposed Bank Guarantee | Short Term | 70.00 | IVR A3 | - | | |



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 Assigned/ Outlook |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Short Term Bank Facilities- Letter of Credit/Bank Guarantee | - | - | - | 50.00 | IVR A3 |
| Long Term Bank Facilities- Cash Credit | - | - | - | 10.00 | IVR BBB-/Stable Outlook |
| Proposed Bank Guarantee | - | - | - | 70.00 | IVR A3 |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-SISL-Infotech-Pvt-Ltd-23-march-21-.pdf>