



Press Release

SCS Tech India Private Limited (STIPL)

November 11, 2022

Ratings:

Sr. No.	Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
(i)	Long Term Fund Based Bank Facility – Term Loan	1.32	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook) and Withdrawn	Revised from IVR BB/ Stable (IVR Double B with Stable outlook) and Withdrawn	Simple
(ii)	Long Term Fund Based Bank Facility –Working Capital Demand Loan under Canara Credit Support	0.15	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook) and Withdrawn	Revised from IVR BB/ Stable (IVR Double B with Stable outlook) and Withdrawn	Simple
(iii)	Long Term Fund Based Bank Facility – Working Capital Term Loan under GECL	0.55	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook) and Withdrawn	Revised from IVR BB/ Stable (IVR Double B with Stable outlook) and Withdrawn	Simple
(iv)	Short Term Non-Fund Based Bank Facility – Bank Guarantee	13.50	IVR A4 (IVR A Four) and Withdrawn	Reaffirmed and Withdrawn	Simple
(v)	Short Term Fund Based Bank Facility – Overdraft	1.50	IVR A4 (IVR A Four) and Withdrawn	Reaffirmed and Withdrawn	Simple
(vi)	Proposed Long Term Fund based Facility-Term Loan	1.68	Withdrawn	Withdrawn	Simple
(vii)	Proposed Short Term Non- Fund based Facility-Bank Guarantee	5.00	Withdrawn	Withdrawn	Simple
	Total	23.70 (Rupees Twenty-Three crore and Seventy lakh only)			



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Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics Valuation and Rating Private Limited has revised the ratings assigned to the bank facilities of SCS Tech India Private Limited (STIPL) at Sr. Nos. (i), (ii), (iii), (iv) and (v) above from 'IVR BB/ Stable/ IVR A4' to 'IVR BB-/ Stable/ IVR A4' and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of STIPL and 'No Objection Certificate' received from the bank who has extended the facilities, and which is rated by Infomerics. Infomerics has also withdrawn the ratings assigned to the proposed bank facilities of STIPL at Sr. Nos. (vi) and (vii) above with immediate effect at the request of the company as it has not availed the aforesaid bank facilities.

The rating is withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings. The revision in the rating assigned to the bank facilities of STIPL at Sr. No. (i), (ii), (iii), (iv) and (v) above factors in the steep decline in the scale of operations of the company and moderation in its profitability and cash accruals. The ratings continue to factor in the working capital-intensive nature of STIPL's operations and its presence in competitive and fragmented industry. The ratings continue to derive strength from the experience of its promoters and management, its reputed client base, wide range of its product offerings and its comfortable capital structure.

Key Rating Sensitivities:

Upward Factors:

- Sustained improvement in total operating income of more than 30%
- Sustained improvement in EBIDTA margin of more than 15%
- Improvement in operating cycle with inventory level reducing below 90 days

Downward Factors:

- EBIDTA margin reducing below 10% on a consistent basis
- Elongation in operating cycle
- Deterioration in the capital structure i.e., >2x



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters and management

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

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 offering 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.

Comfortable capital structure

The company's capital structure and debt protection metrics continued to remain comfortable in FY21 and FY22 (Prov.). The overall gearing ratio and TOL/TNW ratio were at 0.55x and 1.36x respectively as on March 31, 2021, as against 0.77x and 1.94x respectively as on March 31, 2020. Further, it improved to 0.41x and 0.67x respectively as on March 31, 2022 (Provisional) owing to repayment in term loan and accretion of profits to reserves. Further, the interest coverage ratio and total debt to GCA ratio were 6.39x and 2.49x respectively in FY21 as against 4.80x and 3.11x respectively in FY20. However, it marginally deteriorated and stood at 5.79x and 5.00x respectively in FY22 (Provisional).



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Key Rating Weaknesses

Steep decline in the scale of operations and moderation in the profitability and cash accruals

STIPL's total operating income decreased substantially from Rs.69.09 crore in FY20 to Rs.31.89 crore in FY21 and further to Rs.16.67 crore in FY22 (Provisional). The decrease in the total operating income was due to decreased order execution. However, the EBITDA and PAT margins improved to 18.97% and 9.78% respectively in FY21 due to increased average realization. However, they deteriorated to 12.27% and 5.39% respectively in FY22 (Provisional) due to volatility in the raw material prices. In line with the fluctuations in PAT, the GCA also fluctuated from Rs.3.33 crore in FY20 and Rs.3.75 crore in FY21 to Rs.1.46 crore in FY22 (Provisional).

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 and hardware components are procured as and when needed. The collection period continues to be high at 330 days in FY22(Provisional). On account of the same, the company has also stretched its creditors as indicated by high creditors period of 157 days in FY22(Provisional). This has resulted in high operating cycle of the company at 173 days in FY22(Provisional).

Presence in competitive and fragmented industry

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

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Withdrawal of Ratings.](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity – Adequate

STIPL has sufficient cash generation to service its debt. As against annual debt repayments of Rs. 0.50 crore in FY22, the company's gross cash accruals stood at Rs. 1.46 crore. The company has a moderate cash balance of Rs.1.65 crore as on March 31, 2022. The company's liquidity continues to be adequate as seen in its high debtor and creditor days.

About the Company

Incorporated in 2010 by Mr. Sujit Patel, STIPL is engaged in providing and maintaining various IT infrastructure based solutions viz. disaster management solutions [comprising vehicle tracking system with complete in-built customized software to handle various command and 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, fibre optics, GIS & GPS (Global Positioning System) solutions etc.].

Financials:

	(Rs. crore)		
For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	69.09	31.89	16.67
EBITDA	5.75	6.05	2.05
PAT	2.70	3.13	0.91
Total Debt	10.38	9.34	7.28
Tangible Networth	13.48	16.83	17.75
Ratios			
EBITDA Margin (%)	8.32	18.97	12.27
PAT Margin (%)	3.89	9.78	5.39
Overall Gearing Ratio (x)	0.77	0.55	0.41

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sr. No	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 28, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 12, 2021)	Date(s) & Rating(s) assigned in 2020-21 (March 31, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Bank Facility – Term Loan	Long Term	1.32	IVR BB-/ Stable and Withdrawn	-	IVR BB/ Stable	-	-
2.	Fund Based Bank Facility –Working Capital Demand Loan under Canara Credit Support	Long Term	0.15	IVR BB-/ Stable and Withdrawn	-	IVR BB/ Stable	-	-
3.	Fund Based Bank Facility – Working Capital Term Loan under GECL	Long Term	0.55	IVR BB-/ Stable and Withdrawn	-	IVR BB/ Stable	-	-
4.	Non-Fund Based Bank Facility – Bank Guarantee	Short Term	13.50	IVR A4 and Withdrawn	-	IVR A4	-	-
5.	Fund Based Bank Facility – Overdraft	Short Term	1.50	IVR A4 and Withdrawn	-	IVR A4	-	-
6.	Proposed Fund based Facility-Term Loan	Long Term	1.68	Withdrawn	-	IVR BB/ Stable	-	-
7.	Proposed Non-Fund based Facility-Bank Guarantee	Short Term	5.00	Withdrawn	-	IVR A4	-	-
8.	Issuer Rating	Not Applicable	Not Applicable	-	Withdrawn	-	IVR BB (Is)/ Stable	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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
Long Term Fund Based Bank Facility – Term Loan	-	-	-	1.32	IVR BB-/ Stable and Withdrawn
Long Term Fund based Bank Facility-Working Capital Demand Loan under Canara Credit Support	-	-	December 2022	0.15	IVR BB-/ Stable and Withdrawn
Long Term Fund based Bank Facility-GECL Working Capital Demand Loan	-	-	June 2024	0.55	IVR BB-/ Stable and Withdrawn
Short Term Fund based Bank Facility-Overdraft	-	-	-	1.50	IVR A4 and Withdrawn
Short Term Non-Fund Based Bank Facility – Bank Guarantee	-	-	-	13.50	IVR A4 and Withdrawn
Proposed Long Term Fund Based Bank Facility -Term Loan	-	-	-	1.68	Withdrawn
Proposed Short Term Non-Fund Based Bank Facility -Bank Guarantee	-	-	-	5.00	Withdrawn

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.