



Press Release

Sai Computers Limited

March 28, 2023

Rating

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	19.42	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short-Term Bank Facilities	26.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	45.42 (Rs. Forty-five crore and Forty-two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Sai Computers Limited (SCL) derives comfort from its extensive experience of promoters in related industry and long track record, diversified revenue segment coupled with moderate orderbook position indicating near term revenue visibility, exclusive long term power distribution agreement and satisfactory financial risk profile. These rating strengths are partially offset by its moderate profitability, moderately high distribution loss, domestic customer driven consumption mix, presence in highly competitive industry and working capital intensive nature of operations.

Rating Sensitivities

Upward factors

- Sustained revenue growth coupled with improvement operating margin on a sustained basis
- Growth in cash accrual and prudent working capital management
- Effective management of its working capital requirement resulting in improvement in its operating cycle through improvement in its average receivables and inventory cycle

Downward Factors

- Any decline in revenue and operating margin on a sustained basis
- Moderation in the capital structure with overall gearing ratio moderated to over 1.5x
- Deterioration in debt protection metrics and Total debt/GCA.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Extensive experience of promoters in related industry and long track record**

Mr. Girish Kumar, Managing Director of the company and a B.Tech. by qualification, has rich professional experience of about 40 years in the power sector IT enabled services and transformer related industry. This apart, he is assisted by other director, Mr. Nirmal Goel and Mr Ayush Kumar and a team of experienced personnel. Long experience of the promoters in related industry has led to the established position of the company in the industry. Furthermore, the company has started its operation from 1984, thus having about four decades of long and established operational track record.

- **Diversified revenue segment coupled with moderate orderbook position indicating near term revenue visibility**

SCL manufactures a range of power equipment like high voltage transformer, stabilizer etc and also in electricity distribution franchise business coupled with IT enabled services for power sector like billing, spot meter reading and billing, mobile based application, electricity meter data analysis etc., thereby depicting a diversified revenue profile. Further, the company has a contract value of ~Rs.70 crore as on February 28, 2023 for transformer and stabilizer manufacturing and IT services. This apart there is an estimated value of Rs.396 crore of billing from electricity distribution franchise for 10 years period. Which indicates a moderate near term revenue visibility. Also, the contracts comprises of orders from reputed clientele including various State/Central Public sector undertakings and electricity board leading to lower-credit risk.

- **Exclusive long term power distribution agreement**

SCL has a distribution franchise under the provisions of Electricity Act, 2003 to supply electricity in the Dalu Urban Distribution Divisions under Meghalaya Power Distribution Company Limited (MePDCL) and Kallashahar Electrical Division under Tripura State Electricity Corporation Limited (TSECL). For distribution of power, MePDCL and TSECL has selected SCL for exclusive distribution rights in the selected areas. In this regard, the Distribution Franchise Agreement (DFA) was signed in March 2019 and July 2020 with a validity of 10 years respectively.



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- **Satisfactory financial risk profile**

After a marginal deterioration in FY21 due to nationwide pandemic, TOI has improved significantly of around 33% in FY22 over FY21 and ended up at ~Rs.108 crore on the back of increase in demand of power infrastructure and full-fledged operation of electricity distribution franchise business. However, profitability remained moderate where EBITDA margin hovering around 8% and PAT margin was around 4% in FY22. Capital structure was satisfactory where long term debt to equity and overall gearing ratio was at 0.22x and 0.62x as on March 31, 2022. Interest coverage ratio was at 4.86x and Total debt to GCA was at 3.05x in FY22. TOL/TNW was at 1.27x in FY22. Current ratio was also satisfactory at 1.70 as on March 31, 2022. During 9MFY23 the company has earned a TOI of ~Rs.75 crore.

Key Rating Weaknesses

- **Moderate profitability**

SCL's operating margin deteriorated by 154 bps and stood at 8.07% in FY2022 as against 9.62% in FY2021 on account of increase in material cost and other operating expenses. PAT margin moved in tandem with EBITDA margin.

- **Moderate distribution loss albeit improvement in AT&C loss**

SCL witnessed T&D loss of 29% in Tripura and 16% in Meghalaya franchise area in FY22 as against 14% & 18% respectively in FY21. However, over the years the company has witnessed improvement in AT&C loss and its trajectory of reduction in AT&C loss is better than its mandate where AT&C loss stood at 41.25% in Tripura and 18.20% in Meghalaya at the end of FY22.

- **Domestic customer driven consumption mix**

With a large rural profile of the license area, SCL has higher proportion of domestic customers in its consumer mix. Higher proportion of domestic customers limits the growth potential to an extent due to lower possibility of extensive growth in power consumption in near term.

- **Presence in highly competitive industry**

IT enabled services is highly competitive industry in India with easy availability of quality manpower and limited capital investment. This apart, transformer manufacturing is highly fragmented with numerous unorganised players. Further, there are organised domestic players as well as international suppliers, who work in joint venture with domestic companies or as subcontractors for large companies, posing intense competition.



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- **Working capital intensive nature of operations**

The working capital cycle though improved in FY2022 yet continues to remain high at 116 days (162 days in FY2020 and 157 days in FY2021) due to long receivables position and high inventory holding period owing to the nature of the industry the company operates in. Collection period remain high on account of procedural delays for payment from government department and inventory period, though has improved in FY22, remained high on account of longer period taken for works certification. However, the average utilisation of fund based limits remained at ~75% during the last twelve months ended Feb 2023 which indicates adequate liquidity cushion.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

SCL has earned a gross cash accrual of Rs.5.88 crore in FY22. Further the company is expected to earn a gross cash accrual of around ~Rs.6.5 crore as against its debt repayment obligations in the range of ~Rs.0.26-2.56 crore during FY23-25. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained low at ~75% during the past 12 months ended February 2023 indicating a sufficient liquidity cushion.

About the Company

Sai Computers Limited (SCL) was established in the year 1984 as Sai Computers Private Limited (SCPL) by one Kumar family of Delhi leading by Mr. Hemant Kumar and his son Mr. Girish Kumar. In the year 2011 the company turned into a Public Limited company and rechristened as Sai Computers Limited and later on in May 2021 the company shifted its registered office from Delhi to Meerut in Uttar Pradesh. Initially the company started as IT enabled service provider for power utilities like batch billing system of electricity consumers. Later on, the company invented geographical information system (GIS) based spot billing in about 40 towns of the states like U.P., Haryana, Uttarakhand, Jharkhand and Odisha based



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on tie up with respective DISCOMs. Furthermore, since late 1980s the company had entered into transformer manufacturing segment after acquiring licenses, plant, goodwill & name of an existing associate concern, namely, Sailectric Pvt Ltd. The company markets these products under own brand name of "Powerware". On the other hand, since 2019, the company has entered into electricity distribution franchisee business with Meghalaya Power Distribution Company Limited and Tripura State Electricity Corporation Limited, where it has engaged in all activities for electricity distribution like electricity supply to consumers, meter installation, new connection, billing, collection and maintenance of network etc.

Currently day to day affairs of the company looks after by Mr. Girish Kumar, Managing Director, along with other two directors and a team of experienced personnel.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	81.36	108.29
EBITDA	7.82	8.74
PAT	3.42	4.28
Total Debt	15.91	17.93
Tangible Net worth	24.54	28.79
EBITDA Margin (%)	9.62	8.07
PAT Margin (%)	4.21	3.95
Overall Gearing Ratio (x)	0.65	0.62

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings vide its press release date January 03, 2023, has migrated the rating into issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	0.72	IVR BBB-/ Stable	-	-	-
2	Open TL	Long Term	0.17	IVR BBB-/ Stable	-	-	-
3	Cash Credit	Long Term	15.50	IVR BBB-/ Stable	-	-	-
4	GECL	Long Term	1.38	IVR BBB-/ Stable	-	-	-
5	GECL extrn.	Long Term	1.65	IVR BBB-/ Stable	-	-	-
6	Letter of Credit	Short Term	4.50	IVR A3	-	-	-
7	Bank Guarantee	Short Term	21.50	IVR A3	-	-	-

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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.



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

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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
Term Loan	-	-	April 2025	0.72	IVR BBB-/ Stable
Open TL	-	-	April 2025	0.17	IVR BBB-/ Stable
Cash Credit	-	-	-	15.50	IVR BBB-/ Stable
GECL	-	-	April 2025	1.38	IVR BBB-/ Stable
GECL extn.	-	-	Nov. 2026	1.65	IVR BBB-/ Stable
Letter of Credit	-	-	-	4.50	IVR A3
Bank Guarantee	-	-	-	21.50	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-SaiComputers-mar23.pdf>

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



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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.

