Press Release

Sai Computers Limited

March 27, 2024

Ratings

Instrument/ Facility	**Amount (Rs. Crore)**	**Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities	22.10 (enhanced from 19.42)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facilities	43.00 (enhanced from 26.00)	IVR A3 (IVR A Three)	Reaffirmed/ Assigned	Simple
Total	**65.10 (Rs. Sixty-five crore and Ten lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Sai Computers Limited (SCL) continues to derive 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 moderation in 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.

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 utilities 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 consumer data analysis etc., thereby depicting a diversified revenue profile. Further, the company has a contract value of ~Rs.123.85 crore (transformer 31.01 cr + services 92.84 cr) 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. 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 license 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 and select 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.

- **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, the same has marginally declined in FY23 to Rs.103 crore on account of late renewal of few electricity data analysis contracts from DISCOMs which resulted in ~5% decline in overall TOI despite increase in other segmental revenues. Further, though there is marginal moderation in profitability, EBITDA margin remained moderate and hovering around ~8% and PAT moved in tandem with EBITDA margin and was around 3.4% in FY23. Capital structure remained satisfactory and further improved with accretion of profit to reserve and repayment of term loans where long term debt to equity and overall gearing ratio was at 0.14x and 0.56x as on March 31, 2023. Interest coverage ratio, though decline with the decrease in operating profit, was satisfactory at 3.82x and Total debt to GCA was at 3.72x in FY23. TOL/TNW has further improved to 1.02x as on March 31, 2023. Current ratio was also satisfactory at 1.81 as on March 31, 2023. During 11MFY24 the company has earned a TOI of ~Rs.97 crore.

Key Rating Weaknesses

- **Moderation in profitability**

SCL's operating margin has been declining over last three financial years ending in FY23 and the same further deteriorated by 42bps and stood at 7.65% at the end of FY23 as against 8.07% in FY22 on account of increase in material cost and other operating expenses. PAT margin moved in tandem with EBITDA margin.

- **Moderately high distribution loss**

SCL witnessed T&D loss of 29% in Tripura and 15% in Meghalaya franchise area in FY23 (29% & 16% respectively in FY22), as against a normative T&D loss as approved by Electricity Regulatory Commission of the respective states. The distribution loss has perennially been higher than the approved levels, mainly due to lack of control on power outage, theft, increase in rural electrification and LT domestic and Kutir Jyoti consumers etc. Both the states have history of having high T&D loss over the years.

- **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.

- **Working capital intensive nature of operations**

Operation of the company is working capital intensive marked by long operating cycle, which has further elongated in FY23 to 122 days from 116 in FY22 on account of elongation in debtors period. As the company majorly deals with Government departments, collection period remains high on account of procedural delays for payment. However, inventory period has further improved with the faster works certified by departments. Average utilisation of fund based limits remained at ~63% during the last twelve months ended Feb 2024 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.4.86 crore in FY23. Further the company is expected to earn a gross cash accrual of around ~Rs.6 to 8 crore as against its debt repayment obligations in the range of ~Rs.1 crore during FY24-26. 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 ~63% during the past 12 months ended February 2024 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 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):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Income	108.29	103.18
EBITDA	8.74	7.89
PAT	4.28	3.47
Total Debt	17.93	18.09
Tangible Net worth	28.79	32.23
EBITDA Margin (%)	8.07	7.65
PAT Margin (%)	3.95	3.37
Overall Gearing Ratio (x)	0.62	0.56

*Classification as per Infomerics’ standards

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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Mar 28, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term Loan	Long Term	1.85	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2	Open TL	Long Term	-	-	IVR BBB-/ Stable	-	-
3	Cash Credit	Long Term	18.50	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
4	GECL	Long Term	0.24	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
5	GECL extn.	Long Term	1.51	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
6	Letter of Credit	Short Term	4.50	IVR A3	IVR A3	-	-
7	Bank Guarantee	Short Term	26.50	IVR A3	IVR A3	-	-
8.	LC/BG	Short Term	12.00	IVR A3	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Sanmoy Lahiri Tel: (033)- 46022266 Email: slahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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	-	-	Feb. 2029	1.85	IVR BBB-/ Stable
GECL	-	-	Mar 2024	0.24	IVR BBB-/ Stable
GECL extn.	-	-	Nov. 2026	1.51	IVR BBB-/ Stable
Cash Credit 1	-	-	-	15.50	IVR BBB-/ Stable
Cash Credit 2	-	-	-	3.00	IVR BBB-/ Stable
LC/BG	-	-	-	12.00	IVR A3
LC	-	-	-	4.50	IVR A3
BG	-	-	-	26.50	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-mar24.pdf

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 on the basis of complexity and a note thereon is available at www.infomerics.com.