

Press Release

BCITS Private Limited

18 December, 2017



Rating Assigned

Rating Rationale

| | |
|------------------------------------|--------------------------------|
| Total Bank Facilities Rated | Rs. 22.00 Cr. |
| Long Term Rating | SMERA BB+/Stable (Assigned) |
| Short Term Rating | SMERA A4+ (Assigned) |

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+/Stable**' (read as **SMERA Double B Plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A Four Plus**) on the Rs. 22.00 crore bank facilities of BCITS Private Limited

The Bangalore-based BCITS Private Limited (BCITS), a software development company was incorporated in 1999. The company provides IT enabled services and focuses on integrating systems for automated Meter Reading, Meter Data Acquisition, and Meter Data Analytics & Management among others. The company is also into e-Governance, Cloud Computing, Data Analytics to name a few and caters mainly to the electricity and water boards in Karnataka, West Bengal, Rajasthan and Haryana.

Key rating drivers

Strengths

Healthy growth in revenues and revenue visibility

BCITS witnessed healthy growth in revenues between FY2014 to FY2017. Revenue grew at a CAGR of 39.04 percent. The operating income stood at Rs. 61.96 crore for FY2017 as against Rs. 40.51 crore for FY2016. As on October 2017, the company has a healthy order book of Rs 285.48 crore.

Experienced management and established track record of operations

BCITS was established in 1999 and started providing billing services from 2003. The promoters, Mr. Murali Krishna M V and Mr. Sridhar Tummala have experience of over a decade in the aforementioned line of business. SMERA believes that BCITS will continue to benefit from its experienced management and long-standing relations with clients.

Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs 19.39 crore as on March 31, 2017 compared to Rs 13.36 crore as on March 31, 2016. The gearing stood at 0.82 times for FY2017 compared to 1.02 times for FY2016. The total debt includes long term loan of Rs. 6.01 crore, working capital loan of Rs. 4.49 crore and CPLTD of Rs. 5.32 crore as on 31 March, 2017. The Interest coverage ratio stood at 4.36 times for FY2017 as against 3.38 times for FY2016. The DSCR (Debt Service Coverage ratio) stood at 1.19 times for FY2017 and 0.98 times for FY2016.

Established relationship with clients

The company has long standing relations with its clients West Bengal State Electricity Distribution Co Ltd (WBSEDCL), Jaipur Vidyut Vitran Nigam Limited (JVVNL) and Chamundeshwari Electricity Supply Co Ltd (CESCL). SMERA believes that BCITS will draw benefits from its established relationships with its clients in the medium term.

Weaknesses

Working capital intensive business

BCITS' operations are working capital intensive marked by GCA (Gross Current Assets) of 168 days in FY2017 and 192 days in FY2016. This was due to high debtor days at 130 in FY2017 and 129 in FY2016. The creditor days stood at 83 in FY2017 and 67 in FY2016. Further, the bank limit utilization stood at an average of ~96 percent for the last six months ended October 2017.

Tender based business

Since the company mainly caters to the electricity boards, through tender-based orders, growth depends on its ability to successfully bid for tenders. The company is exposed to intense competition in the industry.

Analytical approach:

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of BCITS.

Outlook – Stable

SMERA believes that BCITS will maintain a stable outlook and continue to benefit over the medium term from its experienced management and established government clientele. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue and margins or deterioration of the financial risk profile owing to working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 61.96 | 40.51 | 33.64 |
| EBITDA | Rs. Cr. | 9.45 | 6.86 | 5.03 |
| PAT | Rs. Cr. | 4.05 | 2.61 | 1.75 |
| EBITDA Margin | (%) | 15.26 | 16.93 | 14.96 |
| PAT Margin | (%) | 6.54 | 6.44 | 5.19 |
| ROCE | (%) | 25.07 | 26.24 | 42.84 |
| Total Debt/Tangible Net Worth | Times | 0.82 | 1.02 | 0.90 |
| PBDIT/Interest | Times | 4.36 | 3.38 | 3.09 |
| Total Debt/PBDIT | Times | 1.67 | 1.98 | 1.82 |
| Gross Current Assets (Days) | Days | 168 | 192 | 135 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Service Entities - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

Annexure - Details of instruments rated

| Name of the facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------|
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 0.50 | SMERA BB+/Stable |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA BB+/Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 4.50 | SMERA BB+/Stable |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 14.00 | SMERA A4+ |

SMERA Ratings Limited

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ABOUT SMERA

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