



**Press Release**  
**SCS TECH INDIA PRIVATE LIMITED**  
**February 16, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	30.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 35 crore bank facilities of SCS Tech India Private Limited (STIPL). The outlook is '**Stable**'.

**Rationale for Rating**

The rating assigned takes into account the track record of operations of almost a decade in this line of business along with experienced management. Further, it factors in the growing scale of operation with Operating income stood at Rs. 71.16 crore in FY 2023, a remarkable increase from Rs. 16.42 crore in FY 2022 and Rs. 31.79 crore in FY 2021, attributed to both spillover effects and milestone accomplishments. The rating favorably factors in the healthy financial risk profile of the group with a gearing of below unity as on March 31st, 2023. Further, it considers the adequate liquidity position of the group with moderate reliance on short term bank borrowings with an average utilization of 47.52% for last 8 months ended November 2023. However, the above mentioned strengths are constrained by working capital intensive nature of operations with a high GCA days of 320 days in FY 2023 and higher receivable cycle. Further, the revenue achieve till December 2023 is very low at Rs 25.12 Cr.

**About the Company**

Incorporated in 2010 by Mr. Sujit Patel, SCS Tech India Private Limited (STIPL) focuses on IT infrastructure based solutions viz. disaster management solutions [comprising vehicle tracking system with complete in-built customized software to handle various command & 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, IS & GPS (Global Positioning System) solutions, etc. The company operates from its Mumbai head office.

**Unsupported Rating**

Not Applicable.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of SCS Tech India Private Limited to arrive at the rating.

**Key Rating Drivers**

## **Strengths**

Established track record of operations along with experienced management

Incorporated in 2010 by Mr. Sujit Patel, SCS Tech India Private Limited (STIPL) is engaged in providing IT related solutions including system integration, implementation, installation, infrastructure, supply of hardware, software, surveillance systems, its related equipments and annual maintenance contracts. Thus, the company has an established track record of more than a decade in this line of business. The company is promoted by Mr. Sujit Dharamdas Patel and Mrs. Roxan Sujit Patel who possess industry experience of more than ten years. The experience of the promoters has helped the group to maintain a longstanding relationship with its customers and suppliers.

The company has recorded an increase in operating income, stood at Rs.71.16 crore in FY 2023 as against Rs. 16.42 crore in FY 2022 and Rs. 31.79 crore in FY 2021. The increase in topline is attributed to both spillover effects and milestone accomplishments from previous year. However, the group has achieved a revenue of Rs 25.12 crore till December 2023. The operating margin stood at 21.73% in FY 2023 as against 15.49% in FY 2022 and PAT margin stood at 13.84% in FY 2023 as against 6.20% in FY 2022. Further, the group has a healthy order book position of Rs. 254.47 crore as on date which provides a revenue visibility over the medium term.

Acuité believes the group shall continue to benefit from its established position in the IT industry, experienced management and established relationships with customers and suppliers.

### **Reputed Clientele**

STIPL has a reputed client base which includes Brihanmumbai Municipal Corporation (BMC), The Municipal Corporation of Greater Mumbai (MCGM), Centre for Railway Information Systems, Pune Municipal Corporation (PMC), Power Grid Corporation of India Ltd, Geological Survey of India and Maharashtra State Electricity Distribution Co Ltd (MSEDCL).

### **Healthy Financial Risk Profile.**

The financial risk profile of the group stood healthy, marked by moderate net worth, low gearing (debt-equity) and comfortable debt protection metrics. The tangible net worth stood at Rs. 27.59 crore as on 31 March 2023 as against Rs. 17.73 crore as on 31 March 2022. The increase in networth is majorly due to accretion of profits to the reserves. The total debt of the group as on 31 March 2023 stood at Rs. 10.72 crore which includes long term loan of Rs. 0.47 crore, USL from directors/promoters of Rs. 9.63 crore and short term debt of Rs. 0.62 crore (in terms of CC). The group follows a conservative financial risk policy reflected through its peak gearing of 0.39 times as on 31 March 2023. The gearing (debt- equity) stood at 0.39 times as on 31 March 2023 as compared to 0.54 times as on 31 March 2022 and 0.55 times as on 31 March 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.97 times as on 31 March 2023 as against 0.85 times as on 31 March 2022. Further the debt protection metrics stood comfortable marked by Interest Coverage Ratio stood at 12.75 times for FY 2023 as against 3.24 times for FY 2022. Debt Service Coverage Ratio (DSCR) stood at 4.30 times in FY 2023 as against 2.84 times in FY 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.96 times for FY 2023 as against 0.17 times for FY 2022.

Acuite believes that financial risk profile of the company may continue to remain healthy with no major debt funded capex plan.

### **Weaknesses**

#### **Working Capital Intensive Operations**

The company have working capital intensive nature of operations marked by high GCA Days of 320 days in the FY 2023 as against 238 days in FY 2022. STIPL does not maintain any inventory as the projects are executed by it in a phase-wise manner, therein the software and hardware components are procured as and when needed. This rise is attributed to elevated debtors. The receivables days stood at 272 days in FY 2023 as compared with 186 days as on FY 2022 influenced by competitive bidding in government orders. This, in turn, led to a higher credit period extended to the government. As of December 31, 2023, the company's debtors amounted to Rs. 41.73 crore. The creditors' days stood at 328 days in FY23 as against 206 days in FY22. However, the working capital limits are marked by moderate utilizations of fund-based limit of 47.52 percent and non-fund based limits of 76.47 percent in the last 8 months ended November 2023.

Acuite believes that working capital operations of the group may continue to remain

intensive, considering the nature of the business wherein higher credit period is extended to the government.

### **Highly competitive and fragmented industry**

Operating in a fiercely competitive industry, the company navigates the IT industry alongside numerous small, medium-sized, and large players, offering an array of IT infrastructure solutions and services. The government orders (routed through various private players) are subject to competitive bidding, thereby inviting the bid participations from many players and intensifying the competition in the industry.

### **Rating Sensitivities**

Improvement in scale of operation while improving the profitability margin.

Sustenance of healthy financial risk and net cash accruals.

Elongation in working capital cycle resulting in stretched liquidity.

### **Liquidity Position**

#### **Adequate**

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The group has generated net cash accruals of Rs. 10.26 crore in FY 2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 12 - 13 crore against the maturing repayment obligations of Rs. 0.10 crore over the medium term. Further, fund-based average limit utilization stood moderate at 47.52 percent for the last eight months ended November 2023, with non-fund-based utilization at 76.47 percent for the same period. The current ratio stands at 1.44 times as on March 31, 2023, as against 1.43 times as on 31 March 2022. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.96 times in FY 2023 as against 0.17 times in FY 2022.

Acuite believes that group's liquidity position would remain adequate over the medium term on account of expected steady cash accruals.

### **Outlook: Stable**

Acuite believes that STIPL outlook will remain 'Stable' over the medium term backed by its healthy financial risk profile, adequate liquidity, experience of management and revenue visibility due to increase in tender orders. The outlook may revise to 'Positive' in case the company registers higher than-expected growth in its revenue and profitability while restricting significant elongations in working capital cycle and maintaining the healthy the financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected growth in revenues and profitability, or, in case of deterioration in the company's business or financial risk profile or significant elongation in working capital cycle leading to stretch in liquidity.

### **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	71.16	16.42
PAT	Rs. Cr.	9.85	1.02
PAT Margin	(%)	13.84	6.20
Total Debt/Tangible Net Worth	Times	0.39	0.54
PBDIT/Interest	Times	12.75	3.24

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

None.

### Any other information

None.

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History :

Not Applicable.

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A4+   Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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